



COMMISSION MEMORANDUM

TO: Mayor David Dermer and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: July 12, 2006

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE MEETING OF JULY 6, 2006.**

OLD BUSINESS

1. A cost analysis of a policy to start buying Hybrid vehicles when replacing cars in the City fleet.

ACTION

Assistant City Manager Robert Middaugh presented the item. Mr. Middaugh stated the analysis presented was based on the information available at the time of presentation by Fleet Management. He explained the comparison between gas and hybrid vehicles as it pertains to cost of acquisition, as well as the cost to maintain the vehicle over its useful life. For example a Ford Escape Hybrid currently costs \$29,490 to acquire and maintain over its life while a non hybrid Ford Escape costs \$19,550, leaving a negative variance of \$9,940 between the two cars. The main component of the variance is the purchase price which is roughly \$10,500 more for a hybrid vehicle. Mr Middaugh stated that the City's fleet is currently comprised of 518 sedans and light trucks of which 400 are in use by the police department.

Andrew Terpak, Fleet Management Division Director reviewed the vehicle acquisition cost based on actual available contracts, current fuel cost and mileage assumptions based on historical data from the City's fleet management system.

Mr. Terpak pointed out that because the Hybrid vehicles do not have an extensive track record; many details are yet to be documented such as:

- Repairs and Maintenance cost over the normal life cycle.
- Actual Life cycle of the Batteries .
- What effect heat, humidity and salt air (corrosion) will have on the battery pack over time.
- Actual Retail Sales .
- Actual Warranty adjustments in the event of a battery failure.
- Overall safety of the hybrid vehicles.
- Cost of recycling batteries.
- Actual EPA mileage may vary based on driver performance and general conditions.

Mr. Terpak added that although manufacturers have extended warranties which "cover" miles or time on hybrid batteries, over time the capacity of a battery will deteriorate and will no longer hold a charge. The current cost based on fleet pricing to replace a battery pack in a Ford Escape is \$6,273. The battery retails for \$7,120. Both prices include a core reimbursement of \$1,050, plus labor which is estimated to be 3.5 hours.

Mr. Terpak added that depreciation was included in the comparison analysis. Consumer reports projection of residual values were inflated for the retail market and reflect a best case scenario and would not be representative of a fleet vehicle.

The Commissioners discussed whether it made sense to spend an additional \$100,000 a year to be environmentally conscious. Vice Chairman Richard Steinberg asked Mr. Terpak if additional efforts were being made by the department to be more environmentally conscious. Mr. Terpak stated that the fleet department has met with both the Police and Fire department in order to downscale the size of the cars it has purchased whenever possible in order to make the fleet more fuel-efficient. The department has also made a conscious effort to purchase more fuel-efficient automobiles as it replaces cars in the fleet.

The Committee decided that they were going to review the information presented, and if they had any further questions they would request that the item return for discussion at a later date.

NEW BUSINESS

2. Discussion regarding maximizing bookings at the Byron-Carlyle and Colony Theaters for extended-run and for off-peak bookings by allowing for adjustments to rental rates at the theaters.

ACTION

Max Sklar Cultural Arts & Tourist Development Director introduced the item. Mr. Sklar gave a brief history to July of 2004, when the Mayor and City Commission adopted Resolution No. 2004-25646 which established rental rates for the Byron Carlyle, Colony and Little Stage theaters. These rates were determined after a detailed examination of rates charged by similar venues in South Florida and elsewhere, and included fee schedules for non-profit organizations as well as for commercial users. There were, however, no provisions made for extended-run bookings, nor for off-season rate reductions, furthermore, the Administration was not granted the ability to adjust rates when necessary under such circumstances to maximize theater use. Mr. Sklar explained that with the opening of the Miami Performing Arts Center (MPAC), the Administration believes it is time to take more aggressive action to provide residents and visitors with the widest possible variety of cultural offerings.

Mr. Sklar explained that The Byron Carlyle Theater was extremely successful during its first year of operation, exceeding its booking and income projections by 262%, however, bookings have fallen off dramatically since the opening of the more desirable Colony Theater. The Colony is already heavily booked for the 06/07 season, with only holiday weekends (i.e. Thanksgiving and Christmas) still available. It remains to be seen if there will be enough spillover to keep the Byron Carlyle at previously booked levels. Traditionally both theaters are slow in the summer months. Mr. Sklar is concerned that during this coming summer The Colony will be dark for weeks at a time, and there is nothing at all booked at the Byron Carlyle from June 2 until October 4 – this following a slow spring. Additionally, both theaters generally are dark on Monday and Tuesday nights throughout the year.

Mr. Sklar explained that the vast majority of users for both theaters have been local non-profit arts groups (most of them CAC grant recipients) booking from one to three days at a time, with one or two public shows. Commercial users are few, and the opening of the MPAC's Black Box may reduce their number even further. The fee structure currently in place discourages extended-run bookings, particularly at the higher commercial rates. Mr. Sklar believes that enabling the Administration to negotiate these rates during periods when a theater would not otherwise be utilized would increase revenues while benefiting residents and visitors by expanding the number of cultural offerings. Mr. Sklar explained that flexibility with the fee schedule would also allow the accommodation of numerous requests for independent film screenings and other small commercial productions throughout the year. Additional revenues would result from ancillary bookings for daytime use such as recordings and road-shows rehearsals, Mr. Sklar stated that the requests for these types of bookings have increased recently.

Chairman Saul Gross questioned Mr. Sklar as to whether the lack of bookings for those months had to do with the rates being offered or if it had to do with lack of advertising of the theater.

Mr. Sklar explained that they currently advertise to industry specific venues and to local producers. He also believes that having the flexibility to mold pricing according to the needs of the different events and organizations could in fact address the current issue and can indeed increase the amount of bookings for both theaters. Eric Fliss, Cultural Facilities Manager, added that he has received numerous requests for events and organizations that do not fit in any of the set categories, and he believes having the flexibility with the rates would give the Administration the ability to maximize the booking at these theaters.

Chairman Saul Gross suggested referring the item to the Cultural Arts Council and then make a recommendation to the City Commission. Mr. Sklar stated that the next meeting of the Cultural Arts Council is in September.

Commissioner Matti Bower, as well as other Committee members present were concerned that the cost of operating the theaters would be offset by the earnings from such bookings. The Committee discussed the number of full time personnel necessary to operate the theaters to make it available for the events. Mr. Sklar stated that this would be taken into consideration when the new fees are proposed. Vice Chairman Richard Steinberg as well as Commissioner Matti Bower wanted the rates presented to be specific as a matter of policy and as equitable as possible.

The Committee directed Mr. Sklar to draft a proposal of rates and present them to the Cultural Arts Council for review before they are presented to the Commission for approval.

3. Discussion regarding proposed City of Miami Beach Financial Policies, as recommended by the budget Advisory committee.

ACTION

Budget and Performance Improvement Director Kathie Brooks presented the item. Ms. Deede Weithorn, Chair of the Budget Advisory Committee (BAC), briefly explained the purpose for the participation of the BAC and stated that the City is currently enjoying the best financial position in years. Ms. Weithorn stated that this is the time to implement financial policies. Furthermore, Ms. Weithorn added many of the recommended policies are informally in place already but should be formalized to ensure they are continued in the future. City Manager Jorge Gonzalez

agreed to the City's overall financial health and suggested that it was a great time to adopt the BAC's recommendations. Ms. Brooks explained that the City of Miami Beach's Strategic Plan includes Key Intended Outcomes to ensure the long-term sustainability of City's government, ensure expenditure trends that are sustainable over the long term, and improve overall financial health and maintain overall bond ratings. A number of policies and structural changes have been implemented to achieve these outcomes. One of the citywide initiatives adopted with the FY 2005/06 budget is the review and further enhancement of the City's financial policies.

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As stated by Ms. Brooks beginning in January 2006, the Budget Advisory Committee (BAC), with support from City Administration, began the task of analyzing the City's existing policies, identifying best practices as recommended by the Government Finance Officer Association (GFOA), and reviewing policies of other highly-regarded municipalities. City staff also provided insight regarding rating agency considerations for improving their perspective on the financial outlook of the City.

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Furthermore, Ms. Brooks added, the City has a number of existing formal and informal financial policies that provide the framework for budget development and adoption and for financial management. Many of these formal policies are governed by State Statute, City Charter, and by City of Miami Beach Commission resolutions. However, some are informal policies subject to implementation by the City Administration. The existing policies include:

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- Balanced Budget Development and Adoption
- General Fund 11% Emergency Reserve
- Setting Fees & Charges
- Use of One-Time Revenues
- Contingency Planning and Budgeting
- Debt Policy
- Use of Plans Guiding the Design of Programs and Services (City's Excellence Model)
- Capital Asset Acquisition, Maintenance, Replacement, & Retirement

Ms. Brooks presented the BAC's initial set of recommendations, which were the initial focus of the BAC and are as follows. Please see Exhibit "A":

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BAC Recommendation:

Stabilization of Funds & Fund Balance/Contingency Planning and Cash Reserves

- ❖ General Fund
- ❖ Enterprise Funds
- ❖ Risk Management Fund

BAC Recommendation: Use of Non-Recurring Revenues

BAC Recommendation: Capital Asset Acquisition, Maintenance, Replacement and Retirement

BAC Recommendation: Guiding the Design of Programs and Services

Additional policies may be considered in subsequent reviews

Ms. Brooks finalized by stating that the City Administration supports the policies presented in the recommendations of the Budget Advisory Committee. She recommends formalizing the

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policies set forth by the BAC.

Chief Financial Officer Patricia Walker stated that implementing the BAC recommendations is important in maintaining the City's overall bond rating. She went on to explain that the rating agency's are now looking very closely at the City's policies and procedures due to the fact that the City is barrier island. Bond rating agencies are concerned with our ability to meet our debt requirements and business continuity in case of a natural disaster.

Commissioner Jerry Libbin noted that pension and liability insurance were not included among the budgetary recommendations. Ms. Weithorn admitted that due to the fact that pension and liability insurance were more complicated that the BAC decided to focus on those issues at a later time.

The Committee as well as the City Administration supports policies similar to the recommendations of the Budget Advisory Committee and recommends that they be formalized through resolutions for consideration by the Commission.

4. Discussion regarding proposed FY 2006/2007 General Fund Operating Budget.

ACTION

Kathie Brooks Budget & Performance Improvement Director presented the item. Ms. Brooks discussed the handout labeled Exhibit "B". Ms. Brooks explained that the main budget themes for FY 2006/2007 ~~continue to be maintaining~~ current services, ~~increasing~~ taxpayer value for services, addressing priorities identified by the community, and ~~continuing~~ to incorporate structural changes for the future that ensure the fiscal management and sustainability for the City in the long term.

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Ms. Brooks explained the increasing value of services for taxes paid by the community which are as follows:

- Reducing the overall combined millage by 0.4 mills – which results in a reduction of \$30.75 paid to the City by the average homesteaded property owner – a reduction of over 1 mill since 2000.
- A \$300 dividend return for Miami Beach homesteaded property owners.
- Providing fee relief for water, sewer, sanitation and life safety inspections
- Expanding free access for residents to Miami Beach programs and facilities
- Enhancing service levels to address community priorities

In accordance with the City's vision the following Communities Priorities will be funded by FY 2006-2007 budget:

- Cleaner and Safer (\$2.9 million)
- Beautiful and Vibrant, Mature Stable Residential Community, Urban and Historic Environment (\$1.2 million)
- Cultural, Entertainment and Tourism Capital (\$0.3 million)
- International Center for Innovation in Culture, Recreation and Business (\$0.76 million)
- Well Improved Infrastructure (\$0.66 million)
- ~~Communications, Customer Service and Internal Support Functions (\$0.4 million)~~

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In addition, the following structural changes will be incorporated:

- Beautiful and Vibrant, Mature Stable Residential Community, Urban and Historic Environment (\$0.5 million additional for new re-forestation program)
- Well Improved Infrastructure (\$2.5 million additional for Pay-as-you-go capital)

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Ms. Brooks went on to explain the General Operating Millage for FY 2006/07.

Some highlights were the reduction of the millage for general operating expense to 7.192 mills – down from 7.299 a reduction of 0.107mills. The millage for Renewal & Replacement was maintained at 0.182 mills. Debt Service was set at 0.299 mills a 50% reduction from FY 2005/06 rate of 0.592 for a reduction of 0.293 mills. The aggregate represents a combined reduction of 0.4 mills for fiscal year 2006/2007. Ms. Brooks stated the Proposed Budget represents the largest millage reduction in more than 10 years.

The Committee recommended approving the proposed operating budget and work plan.

5. **Discussion regarding recommendation of the Miami Beach Health Facilities Authority (MBHFA) to donate \$1,001,286 of the surplus funds of the MBHFA, and to waive \$121, 084 of fees due from Mt. Sinai contingent upon their Mt. Sinai's agreement to use the funds toward their disaster preparedness efforts as described in their proposal to the MBHFA.**

ACTION

Chief Financial Officer Patricia Walker introduced the item. She stated the recommendations the Miami Beach Health Facilities Authority (MBHFA) were to donate excess fund of \$1,001,286 to the City and distribute the funds as follows:

- a) that the amount of \$249,675, be appropriated and disbursed to Miami Beach Community Health Center, Inc., to fund the purchase of an emergency generator for the 71st Street Center; and
- b) that funds, in the amount of \$ 751,611. be appropriated and disbursed to Mount Sinai Medical Center to fund disaster preparedness efforts, as set forth in Mount Sinai's proposal and presentation to the HFA at is May 31, 2006 meeting.

The MBHFA also voted to waive the fees owed by Mount Sinai Medical Center for FY 2005, in the amount \$ 121,084, provided that said monies are applied by Mount Sinai to fund such disaster preparedness efforts, as set forth in Mount Sinai's proposal and presentation to the MBHFA at its May 31, 2006 meeting.

Commissioner Simon Cruz as well as Chairman Saul Gross agreed with recommendations presented by the MBHFA but did not agree with withholding of \$300,000 for future contingencies. Upon further discussion they did not find any historical support to base the MBHFA decision to keep the \$300,000 surplus. They did agree that some level of surplus would be necessary but did not agree as to an amount.

Mr. Luis Reiter Bond Counsel for the City explained that a process has been in place since 1992, and that only MBHFA may declare a surplus, and that once the MBHFA declares a surplus they must donate the funds to the City for the City Commission to determine their use

and that the MBHFA can only make a recommendation to the City Commission as to how to distribute the funds.

The Committee moved to accept the MBHFA's recommendation. They also asked the MBHFA to reevaluate the \$300,000 being held in contingency at the MBHFA's next meeting.

6. Discussion regarding Fire Inspection Fee in the 2006/07 City budget.

ACTION

Kathie Brooks Budget & Performance Improvement Director introduced the item. She stated that at the June 7th, 2006 Commission meeting, the Commission referred the above-referenced item to the Finance and Citywide Projects Committee for discussion.

The City currently charges a fee to businesses for life safety inspections by the Fire Marshal. The fee is billed along with the occupational license and /or certificate of use. In FY 2004/05, the fee generated \$342,000 in revenues and similar revenues are projected for FY 2005/06.

Ms Brooks referenced that Commissioner Luis Garcia has expressed interest regarding a potential opportunity to provide relief to our businesses and has identified this fee as an expense that businesses incur that could be potentially funded from another source.

Commissioner Garcia stated that this fee was originally created as a way to generate revenue and that it may no longer be necessary. He further stated that these inspections are not being done on a timely basis.

Commissioner Jerry Libbin raised concerns that businesses were charged for a service that was not being rendered, but because there could be safety implications associated with the inability to perform these inspections. The Administration explained that the fee was a tax to defray the cost of the Life Safety Inspection Program and did not represent a fee for an individual inspection.

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Fire Chief Floyd Jordan stated that there are many reasons as to why these inspections are not performed on a timely basis. He stated that due to the nature of using fire fighters on a rotating basis rather than state certified civilians results in the need for continuous retraining - a lengthy and cumbersome process. Fire Marshall Sonia Machen explained that currently only 30 to 40% of these inspections are being done timely. Ms Machen stated that the City's goal is to do these inspections on a yearly basis.

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The Committee recommended waiving the fee charged for life safety inspections for fiscal year 2006/2007, and to consider reinstating it in future years.

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