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OFFICE OF THE CITY MANAGER
NO. LTC # 104-2009

# LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: April 17, 2009

SUBJECT: ANALYSIS OF BUDGET TO ACTUAL REVENUES AND EXPENSES FOR THE THREE MONTHS ENDED DECEMBER 31, 2008, WITH OPERATING BUDGET PROJECTIONS THROUGH SEPTEMBER 30, 2009 FOR THE GENERAL FUND

The Purpose of this LTC is to provide the Mayor and Commission with the status of the FY 2008/09 budget to actual revenue and expenses at the end of the first quarter with projections through September 30, 2009. Based on the review, it is projected that, overall, there will be an operating budget surplus of $4,330,233 (1.8%) in the General Fund.

## I. General Fund Overview

An analysis of the actual three month operating revenues and expenditures for the period October 1, 2008 through December 31, 2008, reveals an operating surplus of $60,186,146. While the surplus as of December 31st seems unusually large as compared to the final projected for the year ending on September 30th, it should be noted that the City receives a greater percentage, approximately 60% of its ad valorem taxes in the first quarter. Ad valorem tax revenues representing approximately 54% of total revenues have been almost 63% received whereas the remaining 46% of revenues are approximately at the 27% level as of December 31st.

The projected year-end operating revenues and expenditures through September 30, 2009, is, therefore, a more realistic snapshot of anticipated surplus at this point it time. Further, while the actual revenues and expenditures presented are as of December 31, 2008, the projections have incorporated more recent information, as available.

A summary of preliminary projected General Fund Revenues and Expenditures as of September 30, 2009 is as follows:

| General Fund | Adopted Budget FY 2008/09 | Projected Sept. 30, 2009 | Budget/Actual Over/(Under) |
|---|---|---|---|
| Revenues | $235,366,925 | $235,722,158 | $ 355,233 |
| Expenditures | 235,366,925 | 231,391,925 | (3,975,000) |
| Surplus/(Deficit) | $ 0 | $ 4,330,233 | $ 4,330,233 |

It is important to note that a significant component of the projected year-end revenues is, once again, due to Building permit revenues in excess of budget primarily due to the ongoing review of the application of building permit fee ordinance and the ongoing implementation of new processes. It is anticipated that these additional revenues will be at least partially offset by additional expenses in the Building Department as a result of new process improvement initiatives being implemented. These initiatives were presented to the Transparency and Accountability Committee on April 16, 2009 and are scheduled to be

presented to the Finance and Citywide Projects Committee at the May, 2009 meeting, and will, therefore, be reflected in the second quarter analysis of budget to actual revenues and expenses.

In addition, the projections assume that sales tax revenues remain at recent levels, golf course summer revenues (which are derived primarily from local patrons) will be close to budget, and that there will be sufficient resort tax revenues to allow for the full budgeted transfer to the General Fund. Should any of these be reduced, the surplus would be less that projected.

For a detail of General Fund Revenues by category and Expenditures by Department, see attached schedule. Detailed comments on those revenue and expenditure categories with significant variances over $300,000 are shown below.

**General Fund Operating Revenues**

As of December 31, 2008, revenues collected were 46% of budget or $108,898,268. Historically, the City receives approximately 60% of its ad valorem taxes in the first quarter, which must be considered when analyzing actual revenues and formulating year-end revenue projections. Year-end projections through September 30, 2009 which total $235,722,268 indicate that revenues will be above budget by $355,233 or approximately 0.2%.

1. **Other Taxes** - This category includes franchise and utility taxes on services. Projections indicate that year-end collections will exceed budget by 2% or $553,252. This is primarily due to an increase in revenues from phone services as a result of a periodic statewide audit of the phone companies.

2. **Licenses and Permits** - This category includes licenses and building and special use permits. Despite the downturn in the building industry, projections indicate that year-end collections will exceed budget by 23% or $3,412,608. This is primarily due to the on-going review of the application of building permit fee ordinance, the implementation of new processes which required upfront and back-end disclosure of the actual cost of remodeling and square footage of new facilities, and continuing review of existing open building and trade permits.

3. **Intergovernmental** – This category includes state-shared revenues such as cigarette, gas, and sales taxes. Projections indicate that year-end collections will be below budget by 6.8% or $680,483. This is mainly due to a decrease in collections of taxes on sales due to the overall downturn in the economy.

4. **Charges for Services** – This category includes fees for copies, passports, fire rescue, and recreational services. Projections indicate that year-end collections will be below budget by 18.8% or $2,059,715. This is mainly due to lower than expected revenues which reflect the decline in visitor and group business for the Miami Beach Golf Club as well as market conditions and the three month delay in opening of the newly renovated Normandy Shores Golf Club (a combined total of $1,651,565 in reduced golf course revenues).

5. **Miscellaneous** – This category includes concessions, planning fees, and other reimbursements. Projections indicate that year-end revenues will be 4.9% below budget or $379,301. This is due primarily to lower than anticipated revenues as a result of savings in the CIP Department and therefore lower cost allocations to capital improvement projects.

**General Fund Operating Expenditures**

As of December 31, 2008, actual expenditures were 21% of budget or $48,712,122. On a straight-line average for three months ended December 31, 2008, expenditures should have been at a minimum, approximately 25% of budget or $58,841,731. Year-end projections through September 30, 2009 indicate that expenditures of $231,391,925 will be 1.7% under budget.

Significant variances to budget in excess of $300,000 by General Fund department are explained below:

1. **Parks & Recreation**

| Budget FY 2008/09 | Projected Sept. 30, 2009 | Budget/Projected Over/(Under) |
|---|---|---|
| $31,045,463 | $29,522,463 | ($ 1,523,000) |

The Parks & Recreation Department is expected to spend 95% of its budget and generate a year-end surplus of $1,523,000 due mainly to reduced expenses at the Miami Beach Golf Club which reflect the decline in visitor and group business as well as market conditions and the three month delay in opening of the newly renovated Normandy Shores Golf Club (a combined total of $1,023,000), as well as savings from the delayed opening of South Pointe Park and the contracting out of the maintenance of the park.

2. **Police**

| Budget FY 2008/09 | Projected Sept. 30, 2009 | Budget/Projected Over/(Under) |
|---|---|---|
| $80,798,978 | $80,313,978 | ($ 485,000) |

The Police Department is expected to spend approximately 99% of its budget and generate a year-end surplus of $485,000 due primarily to lower than anticipated internal service costs in Fleet Management as a result of lower fuel costs.

3. **Fire**

| Budget FY 2008/09 | Projected Sept. 30, 2009 | Budget/Projected Over/(Under) |
|---|---|---|
| $49,790,544 | $49,230,544 | ($ 560,000) |

The Fire Department is expected to spend approximately 99% of its budget and generate a year-end surplus in the amount of $560,000. This is primarily due to salary savings from vacant positions and lower than anticipated personnel costs.

## CONCLUSION

This analysis of budget to actual operating revenues and expenses for the General Fund with projections through September 30, 2009, provides the status of the FY 2008/09 General Fund Budget as of the first three months of the Fiscal Year. The Administration will continue to monitor revenues and expenses to ensure that we close the fiscal year in a positive position with overall revenues exceeding overall expenses.

JMG/KGB/JC

**ATTACHMENT**

**FY 2008/09 General Fund Operating Summary Projection**

| | Adopted FY 2008/09 | As of Dec. 31, 2008 | Projected FY 2008/09 | Proj-Adptd Over/(Under) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Ad Valorem Taxes | $ 113,704,841 | $ 76,326,489 | $ 113,704,841 | $ 0 |
| Ad Valorem Taxes-S Pte Costs | 10,014,389 | 2,503,597 | 10,014,389 | 0 |
| Ad Valorem Cap.Renewal & Replace. | 2,218,974 | 554,744 | 2,218,974 | 0 |
| Ad Valorem Taxes-Norm Shores | 98,981 | 24,745 | 98,981 | 0 |
| Other Taxes | 24,001,750 | 4,473,774 | 24,555,002 | 553,252 |
| Licenses and Permits | 14,807,042 | 9,145,906 | 18,219,650 | 3,412,608 |
| Intergovernmental | 10,001,420 | 1,710,976 | 9,320,937 | (680,483) |
| Charges for Services | 10,937,981 | 1,790,738 | 8,878,266 | (2,059,715) |
| Fines and Forfeits | 2,075,000 | 772,046 | 1,946,087 | (128,913) |
| Interest | 6,310,000 | 1,263,711 | 6,060,000 | (250,000) |
| Rents and Leases | 4,483,002 | 1,473,667 | 4,370,787 | (112,215) |
| Miscellaneous | 7,685,555 | 2,149,387 | 7,306,254 | (379,301) |
| Other - Resort Tax contribution | 21,865,440 | 4,916,360 | 21,865,440 | 0 |
| Other - Non Operating revenues | 7,162,550 | 1,792,128 | 7,162,550 | 0 |
| Fund Balance | 0 | 0 | 0 | 0 |
| TOTAL REVENUES | $ 235,366,925 | $ 108,898,268 | $ 235,722,158 | $ 355,233 |
| **EXPENDITURES** | | | | |
| Mayor and Commission | $ 1,461,678 | $ 322,790 | $ 1,411,678 | $ (50,000) |
| City Manager | 2,351,552 | 546,334 | 2,177,552 | (174,000) |
| Communications | 1,084,579 | 195,437 | 984,579 | (100,000) |
| City Clerk | 1,561,692 | 329,439 | 1,561,692 | 0 |
| Finance | 4,216,476 | 953,837 | 4,182,476 | (34,000) |
| Office of Budget & Perf Improve. | 1,991,966 | 413,783 | 1,819,966 | (172,000) |
| Human Resources/Labor Relations | 1,868,568 | 381,319 | 1,741,568 | (127,000) |
| Procurement | 919,616 | 199,214 | 906,616 | (13,000) |
| City Attorney | 4,283,893 | 953,324 | 4,253,893 | (30,000) |
| Economic Development | 901,374 | 219,584 | 901,374 | 0 |
| Building | 8,990,621 | 1,895,457 | 8,865,621 | (125,000) |
| Planning | 3,127,421 | 646,967 | 2,919,421 | (208,000) |
| Tourism & Cultural Development | 2,968,414 | 539,745 | 2,913,414 | (55,000) |
| Code Compliance | 4,237,038 | 975,816 | 4,237,038 | 0 |
| Community Services | 441,561 | 122,097 | 441,561 | 0 |
| Homeless Services | 718,268 | 127,343 | 718,268 | 0 |
| Parks and Recreation | 31,045,463 | 6,338,989 | 29,522,463 | (1,523,000) |
| Public Works | 6,513,259 | 1,355,742 | 6,513,259 | 0 |
| Capital Improvement Program | 3,578,721 | 685,781 | 3,309,721 | (269,000) |
| Fire | 49,790,544 | 11,287,761 | 49,230,544 | (560,000) |
| Police | 80,798,978 | 18,699,203 | 80,313,978 | (485,000) |
| Citywide Accounts | 11,463,991 | 1,476,662 | 11,413,991 | (50,000) |
| Citywide Accounts-Normandy Shore | 152,278 | 0 | 152,278 | 0 |
| Citywide Accounts-Transfers | 8,680,000 | 45,498 | 8,680,000 | 0 |
| Capital Renewal & Replacement | 2,218,974 | 0 | 2,218,974 | 0 |
| TOTAL EXPENDITURES | $ 235,366,925 | $ 48,712,122 | $ 231,391,925 | $ (3,975,000) |
| EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES | $ 0 | $ 60,186,146 | $ 4,330,233 | $ 4,330,233 |