



MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # 150-2009

LETTER TO COMMISSION

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

FROM: Jorge M. Gonzalez, City Manager

DATE: June 5, 2009

SUBJECT: ANALYSIS OF BUDGET TO ACTUAL REVENUES AND EXPENSES FOR THE SIX MONTHS ENDED MARCH 31, 2009, 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 second quarter with projections through September 30, 2009. Based on the review, it is projected that, overall, there will be an operating budget surplus of \$5,316,860 (2.3%) in the General Fund.

I. General Fund Overview

An analysis of the actual six month operating revenues and expenditures for the period October 1, 2008 through March 31, 2009, reveals an operating surplus of \$47,965,372. While the surplus as of March 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 of its ad valorem taxes in the first two quarters. Ad valorem tax revenues, representing approximately 54% of total revenues, have been almost 77% received, whereas the remaining 46% of revenues are approximately at the 52% level as of March 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 in time. Further, while the actual revenues and expenditures presented are as of March 31, 2009, 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:

<u>General Fund</u>	<u>Adopted Budget FY 2008/09</u>	<u>Projected Sept. 30, 2009</u>	<u>Budget/Actual Over/(Under)</u>
Revenues	\$235,366,925	\$238,193,022	\$ 2,826,097
Expenditures	<u>235,366,925</u>	<u>232,876,162</u>	<u>(2,490,763)</u>
Surplus/(Deficit)	\$ 0	\$ 5,316,860	\$ 5,316,860

It is important to note that a significant component of the projected year-end revenues continue to be 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. As anticipated in the LTC# 104-2009, these additional revenues are 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 to the Finance and

Citywide Projects Committee at the May 5, 2009 meeting, and are reflected in the Building Department projected expenses for the second quarter discussed below.

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 than 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 \$275,000 are shown below.

General Fund Operating Revenues

As of March 31, 2009, revenues collected were 65% of budget or \$153,420,553. Historically, the City receives approximately 75% of its ad valorem taxes in the first two quarters, which must be considered when analyzing actual revenues and formulating year-end revenue projections. Year-end projections from all revenue sources through September 30, 2009 which total \$238,193,022 indicate that revenues will be above budget by \$2,826,097 or approximately 1.2%.

1. **Other Taxes** - This category includes franchise and utility taxes on services. Projections indicate that year-end collections will exceed budget by 3% or \$706,759. 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 34% or \$5,013,302. This is primarily due to the ongoing 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 15% or \$1,625,947. Although slightly improved from the first quarter projection, this continues to be 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 \$1,538,722 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% below budget or \$303,372. 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 March 31, 2009, actual expenditures were 45% of budget or \$105,455,181. On a straight-line average for six months ended March 31, 2009, expenditures should have been approximately 50% of budget or \$117,683,463. Year-end projections through September 30, 2009 indicate that expenditures of \$232,876,162 will be 1.1% under budget.

Significant variances to budget in excess of \$275,000 by General Fund department are explained below:

1. **City Attorney's Office**

Budget FY 2008/09	Projected Sept. 30, 2009	Budget/Projected Over/(Under)
\$4,283,893	\$ 4,583,793	\$ 299,900

The City's Attorney's Office is anticipated to spend in excess of its budget by approximately \$300,000 primarily due to outside legal counsel expenses. These outside legal expenses are primarily due to Federal Court litigation involving the City's effort to provide public access to the Flamingo Baywalk.

A budget amendment will be required to address these expenditures in excess of budget.

2. **Building Department**

Budget FY 2008/09	Projected Sept. 30, 2009	Budget/Projected Over/(Under)
\$8,990,621	\$9,583,347	\$592,726

As noted in the first quarter projection (LTC# 104-2009), the Building Department is expected to exceed its budget by approximately \$600,000 due to ongoing process improvement initiatives. These initiatives include:

- Central Records Automation: \$ 87,802
- Space Reconfiguration: \$454,205
- Additional Training: \$101,000
- Internal Controls (CCTV, GPS): \$ 36,000

Although revenues in excess of budget are more than sufficient to offset these additional expenditures as discussed above, a budget amendment will be required to address these expenditures in excess of budget.

3. Parks & Recreation (Golf Courses)

Budget	Projected	Budget/Projected
FY 2008/09	Sept. 30, 2009	Over/(Under)
\$31,045,463	\$29,370,898	(\$1,674,565)

The Parks & Recreation Department is expected to spend 95% of its budget, reflecting \$1,674,565 below budgeted expenditures primarily due 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 \$1,159,171), as well as savings from the delayed opening of South Pointe Park and the contracting out of the maintenance of the park.

4. Capital Improvement Program (CIP) Office

Budget	Projected	Budget/Projected
FY 2008/09	Sept. 30, 2009	Over/(Under)
\$3,578,721	\$3,239,721	(\$ 339,000)

The CIP Office is expected to spend approximately 90% of its budget and generate a year-end surplus in the amount of \$339,000. This is primarily due to salary savings from vacant positions and lower than anticipated personnel costs.

5. Fire

Budget	Projected	Budget/Projected
FY 2008/09	Sept. 30, 2009	Over/(Under)
\$49,790,544	\$49,200,965	(\$ 589,579)

The Fire Department is expected to spend approximately 99% of its budget and generate a year-end surplus in the amount of \$589,579. This is primarily due to salary savings from vacant positions.

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 six 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 Mar. 31, 2009	Projected FY 2008/09	Proj-Adptd Over/(Under)
REVENUES				
Ad Valorem Taxes	\$ 113,704,841	\$ 90,349,067	\$ 113,704,841	\$ 0
Ad Valorem Taxes-S Pte Costs	10,014,389	5,007,195	10,014,389	0
Ad Valorem Cap.Renewal & Replace.	2,218,974	1,109,487	2,218,974	0
Ad Valorem Taxes-Norm Shores	98,981	49,491	98,981	0
Other Taxes	24,001,750	11,375,996	24,708,509	706,759
Licenses and Permits	14,807,042	13,812,571	19,820,344	5,013,302
Intergovernmental	10,001,420	4,145,214	9,320,937	(680,483)
Charges for Services	10,937,981	4,344,679	9,312,034	(1,625,947)
Fines and Forfeits	2,075,000	1,352,319	2,028,249	(46,751)
Interest	6,310,000	2,642,249	6,060,000	(250,000)
Rents and Leases	4,483,002	2,354,809	4,495,591	12,589
Miscellaneous	7,685,555	2,360,503	7,382,183	(303,372)
Other - Resort Tax contribution	21,865,440	10,932,720	21,865,440	0
Other - Non Operating revenues	7,162,550	3,584,253	7,162,550	0
Fund Balance	0	0	0	0
TOTAL REVENUES	\$ 235,366,925	\$ 153,420,553	\$ 238,193,022	\$ 2,826,097
EXPENDITURES				
Mayor and Commission	\$ 1,461,678	\$ 672,859	\$ 1,356,929	\$ (104,749)
City Manager	2,351,552	1,116,194	2,201,552	(150,000)
Communications	1,084,579	417,712	960,422	(124,157)
City Clerk	1,561,692	690,929	1,561,692	0
Finance	4,216,476	1,987,883	4,182,476	(34,000)
Office of Budget & Perf Improve.	1,991,966	835,957	1,820,283	(171,683)
Human Resources/Labor Relations	1,868,568	789,178	1,731,328	(137,240)
Procurement	919,616	431,767	906,616	(13,000)
City Attorney	4,283,893	2,060,201	4,583,793	299,900
Economic Development	901,374	441,818	920,821	19,447
Building	8,990,621	4,365,716	9,583,347	592,726
Planning	3,127,421	131,008	2,965,657	(161,764)
Tourism & Cultural Development	2,968,414	1,370,349	2,929,202	(39,212)
Code Compliance	4,237,038	2,009,545	4,429,315	192,277
Community Services	441,561	235,693	440,974	(587)
Homeless Services	718,268	310,039	738,191	19,923
Parks and Recreation	31,045,463	12,977,874	29,370,898	(1,674,565)
Public Works	6,513,259	3,113,024	6,513,259	0
Capital Improvement Program	3,578,721	1,459,239	3,239,721	(339,000)
Fire	49,790,544	23,929,136	49,200,965	(589,579)
Police	80,798,978	40,586,719	80,773,478	(25,500)
Citywide Accounts	11,463,991	5,376,006	11,413,991	(50,000)
Citywide Accounts-Normandy Shore	152,278	0	152,278	0
Citywide Accounts-Transfers	8,680,000	146,335	8,680,000	0
Capital Renewal & Replacement	2,218,974	0	2,218,974	0
TOTAL EXPENDITURES	\$ 235,366,925	\$ 105,455,181	\$ 232,876,162	\$ (2,490,763)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	\$ 0	\$ 47,965,372	\$ 5,316,860	\$ 5,316,860