

FINANCIAL POLICIES

The City of Miami Beach's Strategic Plan includes Key Intended Outcomes to ensure the long-term sustainability of City government: Ensure expenditure trends are sustainable over the long term; and improve overall financial health and maintain overall bond rating. Beginning in January 2007, the Budget Advisory Committee, (BAC), with support from City administration, undertook the task of analyzing the City's existing policies, identifying best practices as recommended by the Government Finance Officer's Association (GFOA), and reviewing policies of other highly-regarded municipalities. City staff conducted extensive research and also provided insight regarding rating agency considerations for improving their perspective on the financial outlook for the City. The following policies include those that were adopted by the City Commission as a result of that effort, as well as policies that had existed prior to that time. Links to each resolution are found at the bottom of the corresponding policy.

POLICY: STABILIZATION FUNDS AND FUND BALANCE/CONTINGENCY PLANNING AND CASH RESERVES

On June 5, 1996, the City Commission adopted Resolution No. 96-22014 which appropriated \$10 million into a reserve for contingencies in the General Fund. This resolution called for this reserve to remain at 11% of the General Fund Operating Budget of the ensuing year. On February 18, 1998, the City Commission adopted Resolution No. 98-22661 which defined a public emergency for which funds could be used as well as stipulating that expenditure specifically requires a 5/7 vote rather than a majority of the Commission.

POLICY NAME/ RESOLUTION NUMBER	FY 2009/10 ACTUAL	FY 12 GOAL
Stabilization Funds and Fund Balance/ 96-22014 and 98-22661	11% of General Fund Operating Expenditures \$26.1 million	11% of General Fund Budget Operating Expenditures \$26.14 million

On September 21, 2006, the Commission adopted Resolution No. 2006-26341 which stated that in addition to the 11% of General Fund Operating Budget Emergency Reserve, the City of Miami Beach shall have a goal to maintain a General Fund Reserve for Contingencies equal to 6% of the General Fund Operating Budget. In combination with the 11% of Emergency Reserve, this represents 2 months of the General Fund Operating Budget expenditures. If the Reserve for Contingencies level falls below the 6% level, a plan of action will be required to increase the reserves over three to seven years (to at least 6%) and a percentage of any additional undesignated fund

balance shall be earmarked toward attainment of the 6% level.

POLICY NAME/ RESOLUTION NUMBER	FY 2009/10 ACTUAL	FY 12 GOAL
Contingency Planning and Cash Reserves 2006-26341	6% of General Fund Expenditures \$13.6 million	6% of General Fund Budget \$14.24 million

Further the resolution stated that the City of Miami Beach shall have a goal to develop and maintain appropriate levels of reserves in the Enterprise Funds as in the General Fund, and a goal of maintaining a reserve of 100% of pending claims in the Risk Management Fund, and shall strive to fund 2/3 of the estimated value of insurance claims incurred but not reported.

The resolutions are available on-line at the following links:

96-22014
<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=940&dbid=0>

98-22661
<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=623&dbid=0>

2006-26341
<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=70181&dbid=0>

POLICY: DEBT ISSUANCE

Article V of the City Charter and Article III of the City Code empower the City Commission with the authority, by resolution, to issue bonds for the purpose of paying all or part of the cost of projects. The principal of and interest on each series of bonds shall be payable from pledged revenues. At the option of the commission, the city may covenant to budget and appropriate from non-ad valorem revenue sources identified by the city

by resolution or from general non-ad valorem revenues of the city an amount necessary to make up any deficiency in the payment of the bonds.

The articles are available on-line at the following links:

Article V of City Charter-
<http://library.municode.com/HTML/13097/level3/>

PTICHRESPAC_SPACH_ARTVBUFI.html

http://library.municode.com/HTML/13097/level3/SPAGEOR_CH94SPAS_ARTIIIIBO.html

Article III of City Code-

POLICY: USE OF NON-RECURRING REVENUES

Pursuant to Resolution 2006-26341, the City of Miami Beach will use one-time, non-recurring revenue for capital expenditures or one-time expenditures and not to subsidize recurring personnel, operations and maintenance cost.

The resolution is available on-line at the following link:

2006-26341

<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=70181&dbid=0>

POLICY: BALANCING THE OPERATING BUDGET

The Office of Management & Budget Performance Improvement (OBPI) is responsible for ensuring the financial stability and integrity of the organization by maintaining a balanced budget. This is accomplished by the development, presentation, and adoption of the organization's annual operating budget in accordance with the requirements of Florida State Statutes 200.065, commonly referred to as TRIM, (TRUTH IN MILLAGE). Additionally, Florida State Statute 166.241 (2) requires that the amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. A budget ordinance is balanced when the sum of estimated net revenues and

appropriated fund balances is equal to appropriations.

Further, Resolution 94-21258 adopted on July 27, 1994 requires review and reporting to the Miami Beach City Commission of adjustments and amendments to the City of Miami Beach annual budget for the purposes of conforming actual expenditures to the adopted budget at least once every quarter.

The resolution is available on-line at the following link:

94-21258

<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=25025&dbid=0>

POLICY: GUIDING THE DESIGN OF PROGRAMS AND SERVICES

Pursuant to Resolution 2006-2634,

- The City of Miami Beach shall create a strategic plan that identifies multi-year strategic priorities (Key Intended Outcomes) with corresponding result measures for each priority.
- Annually, the City of Miami Beach shall use a strategic planning process to develop initiatives that support the strategic plan priorities.
- The budget process and format shall be performance-based and focused on Key Intended Outcomes and performance measures.

- Any new initiatives not core to the City's core mission or Key Intended Outcomes identified in the strategic plan that is greater than 0.5% of budget for the fund impacted per year, or cumulatively, shall be first considered as part of the City's annual strategic planning process to develop initiatives.

The resolution is available on-line at the following link:

2006-2634

<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=70181&dbid=0>

POLICY: CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT

Pursuant to Resolution 2006-26341, the City of Miami Beach shall have a goal to fund at least 5% of the General Fund for the following capital needs as a permanent part of the budget:

- Capital Renewal and Replacement – to ensure adequate funding for the renewal and replacement of the City's General Fund facilities to extend the useful life or replace equipment whose useful life has expired. City of Miami Beach Resolution No. 2004-25697 dated September 28, 2004, established a

restricted renewal and replacement account is funded by dedicating a portion of the millage. The dedicated millage and project specific appropriations from the fund are reviewed and approved each year by the City Commission as part of the budget process. Unused funds stay in the account until projects are

completed or can be used for other projects subject to Commission approval. The City Commission Resolution No. 2005-25832 dated February 23, 2005, established more stringent criteria for the use of these funds by summarizing the criteria into three critical areas; include a preamble/whereas clause pertaining to emergency use of funds; and provide a provision for emergency use of the funds.

- Capital Reserve Fund – to help ensure adequate funding related to previously approved capital projects for expenditures due to bids that are over-budget, change orders, or other unforeseen items for General Fund projects.
- Pay-As-You-Go Capital Fund – to ensure adequate on-going reinvestment in capital plant and equipment, to avoid deferring capital needs until there is a major bond issue.
- Capital Investment Upkeep Fund – to help ensure adequate funding for General Fund non-facility related upkeep.
- Information and Communications Technology Fund – to help ensure adequate funding for the procurement of new or enhanced information and technology needs of the City.

Further, resolution 2006-2634, the City of Miami Beach shall have a goal to develop and maintain appropriate levels of capital reserves in the Enterprise Funds as in

POLICY: CASH MANAGEMENT

Excess cash during the year is invested in cash deposits, money market funds, U.S. Treasury obligations, U.S. government agencies, commercial paper, corporate bonds, and repurchase agreements. The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either covered by federal

POLICY: MANAGING INVESTMENTS

On September 27, 1995, Resolution 95-21726, as amended by Resolution 97-22315 on March 5, 1997, adopted an investment policy for the City of Miami Beach which specifies the authorized investment options and defines the percentage of City funds which may be invested in said categories. The investment objectives are safety of capital, return on capital and liquidity of capital. Investment returns are important and can make significant contribution to the City's operations

the General Fund.

The Adopted Work Plan and Budget incorporates a reduction from the 5% to 1% for capital components, taking advantage of the flexibility during this difficult financial year, and, at the same time, recognizing that the construction industry prices have declined. It is our intent to increase this in the future to 5% in better financial times.

In addition, Resolution 2002-24764, requires that at least 50% of the annual General Fund revenues in excess of expenditures shall be transferred to the Capital Reserve Fund.

The resolutions are available on-line at the following links:

2006-26341

<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=70181&dbid=0>

2004-25697

<http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=45478&dbid=0>

2005-25832

<http://docmgmt.miamibeachfl.gov/webink8/0/doc/49012/Page1.aspx>

2002-24764

<http://docmgmt.miamibeachfl.gov/webink8/0/doc/22702/Page1.aspx>

depository insurance or a collateral pool held by the State Treasurer for the benefit of all public deposits in Florida, or by collateral held by third parties in trust in the name of the City. All cash and investments of the City currently meet the criteria for Risk Category #1 as defined by the Governmental Accounting Standards Board.

and capital projects. Therefore, every effort is made to select the most advantageous investment vehicle and term of investment to maximize earnings. However, safety and liquidity, in that order, take precedence over the return.

Resolution 2004-25456 adopted on January 14, 2004 authorized the administration to contract with MBIA Municipal Investors Service Corp provides Investment

Advisory services to the City to manage and direct the investment of excess funds in accordance with the City of Miami Beach Investment Policy investment objectives .

The resolutions are available on-line at the following links:

95-21726

[http://docmgmt.miamibeachfl.gov/WebLink8/DocView.](http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=60616&dbid=0)

[aspx?id=60616&dbid=0](http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=137&dbid=0)

97-22315

[http://docmgmt.miamibeachfl.gov/WebLink8/DocView.](http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=137&dbid=0)

2004-25456

[http://docmgmt.miamibeachfl.gov/WebLink8/DocView.](http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=27104&dbid=0)

POLICY: DEBT LIMITS

Administration has formalized a written policy based on the existing informal policy. The City shall not issued debt for more than 15% of the assessed valuation. The

Budget Advisory Committee has approved this policy but is pending adoption by the City Commission.

POLICY: FEES AND CHARGES

On July 30, 2003, the City Commission adopted Resolution 2003-25299 which established that (1) an administrative review of the City fees shall be initiated whenever the change in the CPI, between the current CPI and the date of the CPI used to establish the last fee adjustment, is greater than 5%; and (2) upon reaching the threshold and, following a survey of fees for similar services in surrounding communities and/or analysis to review the current cost of providing such services, the Administration shall prepare its recommendation that adjustment to City fees be incorporated into an amended ordinance or resolution, as appropriate, with final approval of same by the City Commission.

The resolution is available on-line at the following link:

2003-25299

[http://docmgmt.miamibeachfl.gov/WebLink8/DocView.](http://docmgmt.miamibeachfl.gov/WebLink8/DocView.aspx?id=25008&dbid=0)