MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Mayor Matti H. Bower and Members of the City Commission

FROM: Kathie G. Brooks, Interim City Manager

DATE: July 10, 2012

This shall serve as written notice that a meeting of the Finance and Citywide Projects Committee has been scheduled for July 10, 2012, at 2:00 P.M. at 1755 Meridian Avenue, in the 3rd Floor Training Room.

The agenda is as follows:

OLD BUSINESS

NEW BUSINESS

1. **Proposal for Increased Rates for the Botanical Garden**
2. **Discussion of the current management and operations of the City of Miami Beach Golf Courses, clubhouses, and related facilities and options/direction for the future management agreement** ***(February 8, 2012 Commission Item C4C) (42)***
3. **Status on Building Development Process Fees**
4. **Mass Transit Connectivity Study**
5. **Miami Beach Mass Transit Loop**

Finance and Citywide Projects Committee Meetings for 2012:
July 11, 2012 (Budget)
July 12, 2012 (Budget)
July 26, 2012
September 20, 2012
November 29, 2012
December 20, 2012

Committee Members
Deede Weithorn
Jorge Exposito
Michael Gongora
Jerry Libbin (Alternate)

KGB/PDW/rs/th

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Cc. Mayor and Members of the City Commission
Management Team

ITEM ONE

Under Separate Cover

ITEM TWO

MIAMIBEACH

TO: Finance and Citywide Projects Committee Members

FROM: Kathie G. Brooks, Interim City Manager

DATE: July 10, 2012

SUBJECT: **DISCUSSION OF THE CURRENT MANAGEMENT AND OPERATIONS OF THE CITY'S MIAMI BEACH GOLF COURSES, CLUBHOUSES AND RELATED FACILITIES AND OPTIONS/DIRECTION FOR THE FUTURE MANAGEMENT AGREEMENT**

INTRODUCTION

This matter was referred by the Mayor and Members of the City Commission to the Finance and Citywide Projects Committee (FCWPC) at the February 8, 2012 Commission meeting. The matter was included in the April 19, 2012 FCWPC agenda and following a brief discussion was referred to this meeting for further discussion and recommendation.

On September 5, 2007, a new management agreement with PCM for the management and operations of the City's Miami Beach Golf Club (including the Par 3 golf course) and the Normandy Shores Golf Club, was approved by the City of Miami Beach Commission. This agreement commenced on October 1, 2007 and is due to expire on September 30, 2012.

The Administration is seeking direction from the Finance and Citywide Projects Committee on options for the on-going management and operations of the City's Golf Courses, Clubhouses and Related Facilities.

BACKGROUND

In the late 1990's the City Commission made a decision to focus the resources necessary to renovate and substantially improve the City's golf courses, clubhouses and facilities. At that time the City Commission made the decision that the Miami Beach Golf Course (formally the Bayshore golf course) would be renovated into a high quality tourist destination that would also serve our residents and the Normandy Shores course would be renovated as a high quality resident golf course with a price sensitive fee structure that gave our residents another high quality but lower priced golfing option. It was also envisioned that the City golf courses would redesigned by a world class golf course architect and, when completed professionally managed and operated by a golf management company that was well established and reputable, experienced in the South Florida golf market, and has managed and operated golf course facilities similar to the quality proposed for Bayshore and Normandy following their renovations.

To this end the City retained the services of Arthur Hills & Associates, Golf Course Architects to redesign the Bayshore and Normandy Shores golf courses, and in the summer of 2000 issued (RFP) 125-99/00 for the comprehensive management and operations of the Miami Beach Golf Club, clubhouse and related facilities.

Timeline of Salient Contractual Points

The following provides a timeline reflecting the recent history of management of the City's golf courses.

- Summer 2000: the Mayor and City Commission authorized the Administration to issue a Request For Proposals (RFP) for the comprehensive management and operations of the City's Golf Courses, Clubhouses and Related Facilities to begin following the completion of the proposed renovations.

  The RFP was issued on August 14, 2000, with bid notices being sent to 227 firms, which included 85 members of the National Golf Foundation (NGF) that were listed under the heading of "Management/Owner" of golf courses. In September of 2000, six firms responded to the RFP.

  Pending the selection of the new management firm, on September 13, 2000, the Mayor and Commission authorized the Administration to enter into an agreement with the then management firm, Chuck Hart Management Group, Inc., for the professional management services for the City's golf courses commencing October 1, 2000 and concluding September 30, 2001. This agreement included a sixty (60) day cancellation clause for convenience and without cause; to be exercised at the will of the City giving consideration to the time it would take for the firm ultimately awarded management agreement to assume operations from the Hart Group, Inc.

- November 29, 2000: The Mayor and City Commission authorized the Administration to enter into negotiations with Professional Course Management II, Ltd., the firm deemed most qualified for the management of the City's Golf Courses, Clubhouses and Related Facilities. Following the Commission authorization the Administration initiated negotiations with PCM.

- September 5, 2001: The Mayor and Commission authorized the execution of an interim agreement with PCM to provide professional services for the management and operation of the Normandy Shores Golf Course and Par 3 Golf Course, while the Bayshore Golf Course was closed for reconstruction. The term of this agreement was October 1, 2001 through September 30, 2003, or immediately upon the closure of the Normandy Shores Golf Course for planned construction. PCM paid the City a monthly rent of $6,000 and assumed a portion of the cost of equipment maintenance. The reconstruction of the Bayshore Golf Course (subsequently renamed the Miami Beach Golf Club) began in December, 2001.

- May 29, 2002: The Mayor and City Commission authorized an interim agreement with PCM for the services necessary to do the grow-in and the pre-opening marketing of the Bayshore Golf Course. The agreement commenced on June 1, 2002 and concluded on September 30, 2002, with the option to extend the agreement on a month-to-month basis pending the execution of the final comprehensive professional services agreement with Professional Course Management II, Ltd. The Miami Beach Golf Club reopened in December, 2002.

- September 10, 2003: In accordance with Request for Proposals (RFP No. 125-99/00), the Mayor and City Commission authorized the execution of a management agreement for the Miami Beach Golf course, clubhouse and related facilities. The term of the agreement was for an initial period of three (3) years, effective October 1, 2003 and expiring on September 30, 2006, with two (2) one year terms, on a year to year basis. PCM completed the grow-in for the new golf course, and in accordance with the above referenced RFP was also the company selected to manage the Normandy Shores Golf Club when it reopened.

The projected opening of the Normandy Shores Golf Club coincided with the conclusion of the PCM agreement and it was the Administration's opinion that possibly changing management companies just prior to or immediately after opening the new Normandy Shores Golf Club could have a negative impact on the future success of the City's golf courses.

- May 16, 2007: The Commission meeting the Administration requested *A discussion regarding the extension of the management agreement between the City of Miami Beach and Professional Course Management II, LTD., (PCM) for the management and operations of the Miami Beach Golf Club and the Normandy Shores Golf Club for a one year period* be referred to the Finance / Citywide Projects Committee for discussion.

  The extension issue was discussed at the June 29, 2007, Finance/Citywide Projects Committee by the members. At the conclusion of the discussion it was the Committee's recommendation to waive the competitive bidding process and approve a management agreement between Professional Course Management II, LTD., (PCM) and the City for three years, plus two one year renewal options. Additionally the Committee recommended the inclusion of a ninety day termination clause for the management of the Miami Beach Golf Club and the Normandy Shores Golf Club. The agreement was to commence at the conclusion of the existing agreement on September 30, 2008. This action was subsequently reported to the full Commission on July 11, 2007, item C6D.

  In subsequent discussions with the City's Legal Department it was determined that to exercise the option of beginning the new agreement at the conclusion of the existing agreement in 2008, could have jeopardized the nontaxable status of the bonds utilized to fund the construction of the golf courses. In consideration of this potential issue the Administration and PCM recommended terminating the last year of the existing agreement and entering into a new agreement effective October 1, 2007, under the same terms and conditions of the existing agreement.

- September 5, 2007: The new management agreement with PCM for the management and operations of the City's Miami Beach Golf Club (including the Par 3 golf course) and the Normandy Shores Golf Club, was approved by the City of Miami Beach Commission. This agreement commenced on October 1, 2007 and is due to expire on September 30, 2012.

In summary, Professional Course Management II, LTD. (PCM) has managed and operated the City's golf courses and clubhouses since October 1, 2001, when they entered into an interim management agreement for the Normandy Shores Golf Course and the Par 3 Golf Course. For the terms of these management agreements, Professional Course Management II, LTD., (PCM) has managed the City's golf clubs at very high service levels, receiving positive comments from our residents, tourists and day guests. PCM has also done a notable job in managing the annual budget allocated to the golf courses, covering all expenses and debt service at the Miami Beach Golf Club, while exceeding revenue projections and managing expenses at or below the appropriated budget on 3 occasions during their current term and on 6 occasions since the inception of the agreements. Additionally, PCM has managed the Normandy Shores Golf Club budget by reducing the projected deficits, while maintaining the Golf Course and Clubhouse in excellent condition.

PCM Significant Accomplishments

Financial Accountability

Since the inception of the first full management agreement in 2003-04, PCM has effectively managed the budget allocated to the Miami Beach Golf Club by generating income and reducing expenses against the appropriated budget. As shown in "Exhibit I" Summary Statement Of Operations, for the first eight (8) full years of operation the Miami Beach Golf Club produced a total operating income before debt service of $6,859,779, which after debt service is satisfied, represents a surplus of nearly $400,000.

Additionally, when the Normandy Shores Golf Club opened in December of 2009, (F.Y. 2009-10) it was projected to operate at a deficit of $554,000 including debt service for that year. F.Y. 2010 concluded with a deficit of $479,956, which was an improvement to the net operating deficit. The F.Y 2011 year-end results at the Normandy Shores Golf Club were ever stronger. F.Y. 2011 finished with a deficit of $245,252, which represents an improvement of $280, 400.

Customer Satisfaction

PCM continuously monitors the levels of customer satisfaction to ensure it meets the City's expectations and standards. Since the reopening, the City's golf facilities have been recognized for delivering excellent customer service in all aspects of the operation. This is supported by comments, correspondence, and surveys conducted internally as well as those conducted by the City through the Secret Shopper Program. Surreys are taken from golf club members and all tournaments held at the clubs. These surveys focus on golf course conditions, clubhouse conditions, outing administration, overall staff/ level of service, food and beverage and other variables. The results of these surveys are consistently excellent.

It should also be noted that at the September 13, 2011 Golf Advisory Committee meeting the Committee expressed a high level of satisfaction with the performance of PCM by making the following motion and approved it unanimously;
The Golf Advisory Committee formally endorses and encourages the rehiring of PCM (Professional Course Management) for the management and operations of the City's golf clubs and related facilities based on the on-going excellent conditions of the golf courses, their high standards and delivery of customer service, ability to management the budgets and generate revenues in a difficult economic period and overall success of the city's golf facilities while under PCM management.

Golf Courses Conditions

The City's golf courses continuously receive very positive comments as to their excellent conditions, playability and challenges. This is supported by the playing public's feedback, articles written in local, national and international press and number of amateur and professional golfers including Gray Player, winner of multiple professional golf major championships include the Master Golf Tournament, and Kelly Kraft, the reigning United States Amateur Champion and winner of the first South Beach International Amateur returning to play the city's golf courses.

Voluntary Reduction of 20% Incentive Fee for F.Y. 2011 and 2012

In the summer of 2010, Mr. Johnny LaPonzina, President of Professional Course Management (PCM), sent a correspondence the Parks and Recreation Administration voluntarily proffering a 20% reduction in the contractually agreed upon Incentive Fee that would be due to PCM if they meet established benchmarks. This offer was made in recognition of the challenges the City was facing in light of the financial crisis and recession we were in at that time and for consideration of the City agreeing to extend the current agreement, as provided for in Section 5.02 for the two (2) remaining successive one (1) year renewals.

In 2011, based on year-end financial statements this voluntary reduction of 20% of PCM's incentive fee represented a cash value/ reduction in expenditures of $ 40,363 less to the city. A similar value is anticipated and budgeted for F.Y. 2012.

Overview of the Incentive Fee

Section 11.02 of the agreement between the City and PCM for the operations and management of the golf courses in part states that the Manager shall be entitled to and receive from the City, an annual Incentive Fee with respect to each Fiscal Year during the initial term and Renewal Term (if any).

The annual Incentive Fee for each Fiscal Year shall be 10% of all gross revenues over $1,875,000 at each Golf Course separately derived from each of the Golf Courses and Related Facilities operations. Gross revenue shall not include gross revenues received by the Manager as a concessionaire for food and beverage and pro shop facility (merchandise). Gross revenues will include the 5% concession fee paid by Manager to the City for the use of the latter facilities.

The Manager's annual Incentive Fee will be earned in full provided the "net operating income before debt service," as shown on the approved annual Operating Budget, equals or exceeds $800,000 per year for the Miami Beach Golf Club, and $410,000 per year for the Normandy Shores Golf Club. Should the "net operating income before debt service" be less than the established debt service for $800,000 for the Miami Beach Golf Club, and $410,000 for the Normandy Shores Golf Club, Manager's annual Incentive Fee shall be reduced proportionately. By example, if the net operating income before debt service for the Miami Beach Golf Club is $720,000 (10% less) then Manager's annual Incentive Fee for the Miami Beach Golf Club shall be reduced by 10% for that specific Course. The Incentive Fee for each Golf Course will be earned individually and based on the conditions stated above.

In arriving at "net operating income before debt service," there shall be deducted from the Golf Courses and Related Facilities gross revenues the ordinary operating expenses as set forth in the annual Operating Budget approved by the City. Extraordinary Operating Expenses and/or non-budgeted capital improvements shall not be deducted from gross revenues in determining "net operating income before debt service." Such extraordinary Operating Expenses or unbudgeted capital improvements shall include but not be limited to the following:

Real estate taxes on the Golf Courses and Related Facilities, if imposed during the term of this Agreement; damage caused by Force Majeure, as defined in Section 29.5; capital improvements required by the City beyond that which is budgeted; and additional costs related to promotional events including major tournaments that may be approved by the City beyond that which is budgeted.

Extraordinary non-budgeted expenses shall include extra security services; modular rentals; capital (computers, telephones, F.F.E.); temporary portable restroom and cart barn rentals; City Property Management Division and City Public Works Department's expenses related to the removal of the cart barn and modular buildings and site restoration thereof; Par Three Golf Course maintenance; and Manager's annual Incentive Fee.

The annual Incentive Fee determined pursuant to Section 11.2.1 above shall be payable to Manager within forty-five (45) days of the end of a Fiscal Year.

Premier Card

The Premier Golf Card is a summer membership program owned and operated by PCM and includes the finest public access golf courses in Miami–Dade and Broward Counties (in the 2011 there were 26 courses participating). The program was conceived and developed with the sole purpose of increasing play and revenue at participating courses during the traditionally slow summer months.

Fifty percent of the income generated by the card sales (after marketing and administrative expenses) is distributed equally among the participating clubs; the remaining fifty percent of revenue is distributed to the clubs based on the percentage of rounds played at each golf course.

Benefits to the Miami Beach and Normandy Shores Golf Clubs

Since its inception and despite a difficult economic environment, Premier has had accelerated growth both in the number of participating clubs and card sales. The City of Miami Beach golf clubs began participating as a full partner in the in the Premier Card Summer Membership Program in 2009. The following is a summary of the program by year.

2009
The City received a total of $1,064,161.51 in revenue from the 2009 Premier Card distributions and rounds. This was comprised of $440,373.41 at the Normandy Shores Golf Club and $623,788.10 at the Miami Beach Golf Club, as compared to the previous year (2008) when Miami Beach Golf Club offered its own individual summer membership program a total of 55 memberships were sold, which produced combined revenues (membership dues, cart fees and driving range) of approximately $110,000.

2010
The City received a total of $1,137,766.64 in revenue from the 2010 Premier Card distributions and rounds. This was comprised of $657,931.59 at the Miami Beach Golf Club and $479,835.05 at the Normandy Shores Golf Club, which represented 63% of the total golf course revenue for the period.

2011
The city received $688,157.95 at Miami Beach Golf Club and $514,796.81 at Normandy shores Golf Club for a total of $1,202,954.76, a 5% increase over 2010. This represents 57% of greens fees revenue at both courses over the April 15th to November 15th, 2011 time period.

YEAR	MIAMI BEACH	NORMANDY SHORES	TOTAL
2009	$ 623,788.10	$ 440,373.41	$1,064,161.51
2010	$ 657,931.59	$ 479,835.05	$1,137,766.64
2011	$ 688,157.95	$ 514,796.81	$1,202,954.76
TOTAL	$1,969,877.64	$1,435,005.27	$3,404,882.91

South Beach International Amateur

One of the challenges presented to PCM by the City when the golf clubs were completed was to develop a golf tournament of that would substantially place the Miami Beach golf courses among the elite of public access golf facilities.

This challenge was met in December of 2011, when the first South Beach International Amateur golf tournament was played at both the Normandy Shores and Miami Beach Golf Clubs. The South Beach International Amateur was given the highest ranked inaugural amateur golf tournament in the history of world tournament rankings initially being recognized as #41 and concluding with a final ranking of #47 worldwide by Scratch Players World Amateur Ranking (SPWAR).

The event attracted a total of 166 top amateurs comprise of 28 of the top 500 amateur golfers in the world, with representatives from 14 countries, and 30 states. This amateur event, which is held the week before Christmas draws golfers, coaches, families and guests to our city and is credited with creating an economic impact of over 700 room nights, an expenditure of $259.95 per day, per person and an estimated $390,000 spent in our community over the seven (7) days.

Jim McLean Golf Academy

In February of 2011, Professional Course Management (PCM) retained the well-known and world-recognized Jim McLean Golf Academy as our provider of golf instructions at the Miami Beach Golf Club.

Jim McLean has long ties to the South Florida community having been at Doral Golf Resort and Spa for over 20 years. Jim McLean has long been recognized as one of the top golf instructors in the world, and is currently ranked No.4 by Golf Digest. He is the owner of the No. 1 Rated Golf School in America, The Jim McLean Golf School. With locations at top resorts around the world, including Doral Golf Resort & Spa in Miami, FL; PGA WEST in La Quinta, CA; La Quinta Resort & Spa in La Quinta, CA; Grand Traverse Resort & Spa in Williamsburg, MI; Mayakoba Resort in Riviera Maya, Mexico; Red Ledges at Heber City, UT, JW Marriott Marquis Downtown Miami, FL and Waterchase Golf Club in Ft. Worth, TX. McLean has also authored over a dozen golf books including the newly released *"The Slot Swing";* and has produced over a dozen videos and DVDs, including the recently released *"Building Block Approach To Golf".*

The association with the world renowned Jim McLean Golf Academy not only enhances the Miami Beach Golf Club brand, it has also represented a substantial increase (37% year to date) in golf lesson income for the Club.

Professional Course Management Correspondence Dated June 29, 2012

In advance of the July 10, 2012 FCWPC meeting, Mr. Johnny LaPonzina, President of Course Management submitted the attached correspondence (Exhibit II) to the City Manager which succinctly summarized PCM's position and benefits for continuing the current management relationship with the City. Additionally, in consideration of an extension, Mr. LaPonzina also offered:

- To make the voluntary reduction of 20% incentive fee proffered in F.Y. 2011 and 2012 a permanent reduction, which represents a savings to the City in excess of $187,000 over the next five year term;

- PCM would consider a further compromise on the formula on which the incentive fee is based for the benefit of the City;

- Propose that all other terms, conditions, and obligations remain the same as those stipulated in the original 2003 agreement.

CONCLUSION

Professional Course Management II, ltd. has successfully managed and operated the City's golf courses and clubhouses since October 1, 2001, when they entered into an interim management agreement for the Normandy Shores Golf Course and the Par 3 Golf Course. The current management agreement with Professional Course Management II, LTD., (PCM) for the management and operations of the City's Miami Beach Golf Club (including the Par 3 golf course) and the Normandy Shore Golf Club was approved by the City of Miami Beach Commission at the September 5, 2007 meeting which took effect on October 1, 2007 and will expire on September 30, 2012.

The Administration is seeking the guidance and direction of the Finance and Citywide Projects Committee to assess and evaluate the success of this contractual relationship with Professional Course Management II, LTD., and to discuss the options and future actions for the on-going management and operations of the City's Golf Courses, Clubhouses and Related Facilities. At this time the options are to;

- Direct the Administration to prepare a Request For Proposals (RFP) for the Management and Operations of the City's Golf Courses, Clubhouses and Related Facilities to be issued a soon as possible with the intent of having a new agreement in effect in January, 2013. It is recommended the new management agreement would begin then due to the time it will take to issue, receive and negotiate and award a new management agreement.

  (Additionally, the Second South Beach International Amateur is scheduled to be hosted on December 16 – 21, 2012 and the planning, marketing and promotional efforts have already begun and continuity in the process is critical to the golf tournament's success); or

- Direct the Administration to prepare a Commission action waiving the competitive bidding process and enter into negotiations with Professional Course Management for the continued management and operations of the City's Golf Courses, Clubhouses and Related Facilities with the intention of having an agreement ready as soon as possible.

KGB/MAS/KS
Attachments
F:\RCPA\$ALL\Previous\KEVIN\Commission Committee Meetings\FCWPC 7-9 TO 7-12-2012\7-10-12 F&CWP Committee - City's Golf Courses, Clubhouses & Related Facilities Operations & Managment Discussion.doc

EXHIBIT I

SUMMARY STATEMENT OF OPERATIONS
MIAMI BEACH GOLF CLUB
NORMANDY SHORES GOLF CLUB

MIAMI BEACH GOLF CLUB

Summary Statement of Operation Fiscal Year: 2004, 2005,2006,2007,2008,2009,2010 and 2011

REVENUES	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Totals
Golf Memberships	$ 356,375.33	$ 468,730.41	$ 551,292.67	$ 646,852.20	$ 719,389.32	$ 739,473.00	$ 602,126.00	$ 559,952.00	$ 4,643,170.93
Cart Fees	$ 794,179.97	$ 860,729.00	$ 844,428.00	$ 880,068.00	$ 817,758.77	$ 987,401.00	$ 1,009,272.00	$ 1,075,302.00	$ 7,249,138.74
Green Fees	$ 2,068,278.22	$ 2,482,370.59	$ 2,471,509.49	$ 2,504,216.31	$ 2,374,481.90	$ 1,797,415.00	$ 1,684,481.00	$ 1,927,327.00	$ 17,500,070.51
Range Fees	$ 81,800.69	$ 93,295.68	$ 111,892.23	$ 114,395.46	$ 165,379.44	$ 173,281.00	$ 162,833.00	$ 184,059.00	$ 1,077,036.48
Restaurant	$ 20,875.99	$ 27,242.58	$ 36,968.11	$ 41,174.96	$ 39,680.44	$ 37,908.00	$ 35,799.00	$ 43,111.00	$ 283,760.08
Pro Shop	$ 44,184.12	$ 38,441.58	$ 40,270.49	$ 41,162.17	$ 40,713.11	$ 38,054.00	$ 34,305.00	$ 39,031.00	$ 315,151.47
Golf Lessons	$ 50,675.19	$ 55,343.90	$ 57,280.05	$ 65,221.57	$ 76,039.32	$ 64,586.00	$ 60,228.00	$ 64,391.00	$ 493,663.03
Total	$ 3,416,287.51	$ 4,004,153.72	$ 4,113,632.04	$ 4,272,082.67	$ 4,222,422.30	$ 3,838,118.00	$ 3,599,142.00	$ 3,893,173.00	$ 31,358,991.24
Budget for Revenue	$ 3,133,668.00	$ 3,590,300.00	$ 3,863,350.00	$ 4,092,200.00	$ 4,073,450.00	$ 4,204,300.00	$ 3,861,408.00	$ 3,788,825.00	$ 30,587,498.00
EXPEDITURES									
Uniforms	$ 7,886.60	$ 4,196.44	$ 7,671.54	$ 2,136.54	$ 14,828.35	$ 7,586.42	$ 10,658.23	$ 9,827.00	$ 64,681.22
Professional Services	$ 1,458,602.29	$ 1,409,445.19	$ 1,417,850.69	$ 1,552,384.92	$ 1,542,465.33	$ 1,402,570.40	$ 1,258,372.76	$ 1,240,650.00	$ 11,280,301.57
Electricity	$ 24,694.43	$ 84,552.62	$ 78,042.49	$ 84,010.39	$ 73,457.54	$ 79,690.55	$ 94,902.99	$ 56,047.00	$ 573,398.01
Water	$ 356,961.46	$ 275,204.05	$ 354,411.55	$ 250,202.83	$ 347,178.70	$ 390,838.33	$ 356,477.30	$ 543,989.00	$ 2,875,263.22
Admin. Fees	$ 138,158.16	$ 114,587.00	$ 125,004.00	$ 125,000.00	$ 125,000.00	$ 125,000.00	$ 125,000.00	$ 125,000.00	$ 1,000,749.16
Rent-Building & Equip.	$ 108,223.77	$ 173,585.63	$ 119,360.08	$ 190,170.80	$ 284,696.66	$ 276,897.82	$ 284,740.03	$ 249,859.00	$ 1,687,553.69
PCM Bonus	$ 140,267.00	$ 211,216.10	$ 224,071.00	$ 239,708.30	$ 234,796.20	$ 196,111.80	$ 172,414.20	$ 161,464.00	$ 1,580,037.60
Operating Expenses	$ 459,364.47	$ 583,292.86	$ 562,896.30	$ 636,960.63	$ 572,105.02	$ 403,971.30	$ 381,283.21	$ 366,300.00	$ 3,966,173.81
Internal Service	$ 1,477.32	$ 137,187.86	$ 146,876.62	$ 188,763.86	$ 221,999.67	$ 280,808.76	$ 241,389.26	$ 260,873.00	$ 1,459,053.24
Total	$ 2,701,616.50	$ 2,993,288.67	$ 3,034,203.27	$ 3,269,306.27	$ 3,416,517.47	$ 3,163,173.37	$ 2,925,127.97	$ 2,993,999.00	$ 24,497,211.52
Budget for Expense & Int.Serv.	$ 2,416,072.00	$ 2,738,470.00	$ 2,958,573.00	$ 3,417,443.00	$ 3,415,604.00	$ 3,491,167.00	$ 3,085,573.00	$ 2,994,878.00	$ 24,518,182.00
Net Operating Income	$ 714,652.01	$ 1,010,887.05	$ 1,079,428.77	$ 1,002,774.40	$ 805,904.83	$ 672,944.63	$ 674,014.03	$ 899,174.00	$ 6,859,779.72
Budget- Net Operating Income	$ 717,963.00	$ 781,830.00	$ 904,777.00	$ 674,757.00	$ 656,444.00	$ 713,133.00	$ 795,835.00	$ 773,947.00	$ 6,027,316.00

Normandy Shores Golf Course

Summary Statement of Operation Fiscal Years 2010 and 2011

REVENUES	Actual 2010	Actual 2011	Totals
Golf Memberships	$ 158,970.00	$ 145,357.00	$ 304,327.00
Cart Fees	$ 596,184.00	$ 785,634.00	$ 1,381,818.00
Green Fees	$ 766,626.00	$ 835,086.00	$ 1,601,712.00
Range Fees	$ 34,509.00	$ 44,450.00	$ 78,959.00
Restaurant	$ 14,215.00	$ 18,350.00	$ 32,565.00
Pro Shop	$ 7,214.00	$ 9,145.00	$ 16,359.00
Golf Lessons	$ 10,069.00	$ 13,484.00	$ 23,553.00
Total	$ 1,587,787.00	$ 1,851,506.00	$ 3,439,293.00
Budget for Revenue	$ 1,870,130.00	$ 1,735,330.00	$ 3,605,460.00
EXPEDITURES			
Uniforms	$ 7,803.40	$ 7,000.00	$ 14,803.40
Professional Services	$ 814,217.09	$ 857,057.00	$ 1,671,274.09
Electricity	$ 58,045.81	$ 60,004.00	$ 118,049.81
Water	$ 37,319.98	$ 37,999.00	$ 75,318.98
Admin. Fees	$ 125,000.00	$ 125,000.00	$ 250,000.00
Rent-Building & Equip.	$ 242,815.09	$ 233,587.00	$ 476,402.09
PCM Bonus	$ -	$ -	$ -
Operating Expenses	$ 265,248.43	$ 223,542.00	$ 488,790.43
Internal Service	$ 127,714.75	$ 146,069.00	$ 273,783.75
Total	$ 1,678,164.55	$ 1,690,258.00	$ 3,368,422.55
Budget for Expense & Int.Sev.	$ 2,014,310.00	$ 1,916,836.00	$ 3,931,146.00
Net Operating Income	$ (90,377.55)	$ 161,248.00	$ 70,870.45
Budget- Net Operating Income	$ (144,180.00)	$ (181,506.00)	$ (325,686.00)

EXHIBIT II

JUNE 29, 2012 CORRESPONDENCE FROM JOHNNY LAPONZINA, PRESIDENT OF PROFESSIONAL COURSE MANAGEMENT

PROFESSIONAL
COURSE MANAGEMENT

June 29, 2012

Ms. Kathie G. Brooks
City Manager
CITY OF MIAMI BEACH
Via Hand Delivery

Dear Ms. Brooks,

As you know, the FCWPC is scheduled to discuss the Potential Cost Impacts of Rebidding the Management Agreement for the City Golf Courses at its budget meeting of July 10. We have previously stated that in our opinion, an extension of this agreement with PCM is in the best interest of the City, its residents, and the continued success of the golf courses, restaurants and pro shops operations. PCM has recently requested an opportunity to negotiate an extension of said agreement. To add clarity to the discussion, we would like to submit the following initial proposal for the consideration of the Mayor, City Commission, members of the Committee and City Administration to extend our management agreement for an additional five year term:

In response to the financial crisis in 2009 - 2010 and the City's budget challenges, in good faith, PCM voluntarily amended our initial agreement and reduced the percentage of its incentive fee for fiscal years 2011 and 2012. PCM's concessions saved the City more than $75,000 during that period. As part of the discussions for the extension of the current agreement, PCM is prepared to make this reduction permanent, representing savings to the City in excess of $187,000 over the next five year term. Additionally, PCM would consider a further compromise on the formula on which the incentive fee is based for the benefit of the City. We propose that all other terms, conditions and obligations remain the same as those stipulated in the original 2003 agreement.

PCM is solely responsible for creating the following exclusive marketing initiatives listed below, adding revenues and direct benefits that no other management firm can offer to the City:

1. **The Premier Card.** Owned and operated by PCM, is considered the most successful "off season" marketing program ever developed in the public golf course industry. Premier has generated revenue for the City of Miami Beach of more than $3.4 million in total for the past three fiscal years and is on pace to produce over $1.2 million for the current fiscal year.

2. **Jim McLean Golf Academy.** Through my personal relationship with Jim McLean, our company, PCM was able to locate the Jim McLean Golf Academy, one of the most famous and respected names in golf instruction, at Miami Beach Golf Club; helping solidify Miami Beach as a true world class golf destination and providing additional revenues to the City. As an integral part of PCM's proposal, the Jim McLean Golf Academy will remain at Miami Beach Golf Club through the extended term.

10500 Taft Street • Pembroke Pines, Florida 33026
(954) 433-8800 • Fax (954) 433-7387

Owned and Operated by PGA Professionals

3. **The South Beach International Amateur.** Founded and created by PCM, this event became the highest ranked inaugural international amateur golf tournament in the world. It attracted many of the world's top amateurs representing 32 states and 15 countries and was won by current United States Amateur Champion Kelly Kraft. The event brought over 300 visitors to Miami Beach generating over 700 room nights and an estimated $450,000 in visitor spending and golf revenue.

4. **On Site, Local Management Company**. Locally owned and operated, PCM has an unrivalled record of accomplishments for over 30 years. Its principals and management possess an unparalleled knowledge and understanding of the challenging South Florida golf market and are on site and actively involved in the day to day operations of the City's golf courses.

5. **Continuity.** Continuity, consistency and established relationships in the community have been key elements in the success of the Miami Beach golf courses. PCM has consistently produced excellent levels of service in every aspect of the golf clubs operations (restaurants, pro shops and golf course maintenance) financial performance and value for the City of Miami Beach and its residents.

Our goal is to continue the mutually beneficial relationship between the City, PCM and the residents of Miami Beach. On behalf of the more than 80 employees who work at Miami Beach and Normandy Shores Golf Clubs, we thank you in advance for your consideration to extend our agreement for an additional five years, subject to final negotiations with the City's staff and the approval of the Miami Beach Mayor and City Commission.

Sincerely,

Johnny LaPonzina
President
Professional Course Management

Cc Mr. Kevin Smith, Director of Parks and Recreation

ITEM THREE

MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Kathie G. Brooks, Interim City Manager

DATE: July 10, 2012

SUBJECT: ORDINANCES RELATED TO MODIFICATIONS TO THE BUILDING, FIRE, PLANNING AND PUBLIC WORKS DEPARTMENT FEES RELATED TO THE BUILDING DEVELOPMENT PROCESS APPROVED ON FEBRUARY 1, 2010

ADMINISTRATION RECOMMENDATION

The Administration recommends that the Committee recommend that the City Commission reduce fees related to Planning and Public Works' efforts in the interior Alteration/Remodeling permit types, extend the current discounts past September 30, 2012, and not waive the CPI increase for 2013.

INTRODUCTION

On January 13, 2010, the City Commission approved four ordinances for the Building, Fire, Planning and Public Works departments related to the fees for the Building Development Process.

These ordinances went into effect on February 1, 2010 and provided a complete overhaul of the fee structure for the above mentioned departments. Additional changes were adopted by the City Commission in September 2011 that went into effect on October 1, 2011, including reductions to the fees for certain permit types, a continuation of discounts for permit fees related to certain permit types, a waiver of the Consumer Price Index (CPI) adjustments for 2011 and 2012, and the introduction of a cap on permit fees at 10% of the calculated cost of construction.

The Administration had stated that it would return to the Committee for additional discussion after the 2011 changes were adopted.

BACKGROUND

The Building Development Process ("Process") in the City of Miami Beach includes the Building Department, the Fire Department's Fire Prevention Division, the Planning Department and the Public Works' Engineering Division.

In mid-2009, the City initiated a study of costs and fees related to the Process with the consulting firm, Maximus Consulting Services Inc. ("Maximus"). The primary focus of the

study was to develop a simplified fee structure and associated fee levels for services performed by the Building Department in enforcing the Florida Building Code, as well as services performed by other Departments in enforcing other Federal, State and City Codes related to building permits. In addition, the study reviewed other development related costs and fees in the Fire, Planning, and Public Works Departments.

On January 13, 2010, the City Commission approved four ordinances for the Building, Fire, Planning and Public Works departments related to the fees for the Building Development Process, as outlined in the Maximus study. These ordinances went into effect on February 1, 2010 and provided a complete overhaul of the fee structure for the above mentioned departments.

At the time of implementation, there were increases in the fees related to the building development process for the Fire, Planning, and Public Works Departments. These were offset by discounts in the Building Department fees so that, in the aggregate, the total combined fees charged to the development community were to remain at current levels. Decreases in Building Department revenues were partially replaced by previously set aside Building Department reserves in FY 2009/10 and are budgeted to be offset in FY 2011/12. Subsidies from other general fund revenue sources were $725,000 in FY 2009/10, and $1 million in FY 2010/11. It is important to note that discounts were applied to fees to achieve three (3) objectives: 1) ensure that permits are pulled for small projects. If permit fees represent a large or excessive percent of the project costs, it will discourage customers from pulling permits; 2) provide lower fees for residential projects; and 3) incentivize environmental projects.

In 2011, the Administration presented additional permit fee changes to the Committee for consideration. These included additional reductions to the fees for certain permit types, a continuation of discounts for permit fees related to certain permit types, a waiver of the Consumer Price Index (CPI) increases for 2011 and 2012, and the introduction of a cap on permit fees at 10% of the calculated cost of construction. The Committee recommended these additional changes, and they were adopted by the City Commission and made effective on October 1, 2011.

During the discussions regarding the 2011 changes, the Administration noted that further changes were still being considered and would be brought back to the Committee for further consideration. At this time, the Administration is bringing back three (3) topics for discussion:

- Whether fees related to Planning and Public Works' efforts in the interior Alteration/Remodeling permit types should be reduced,
- Whether or not the discounts should continue past September 30, 2012, and
- Whether or not the CPI increase for 2013 pursuant to the existing ordinance should be waived.

The Administration is also further evaluating the impact of the 10% cap on permit fees and other potential permit fee reductions. Although initial analyses of the financial impact of the "10% rule" have indicated relatively minor financial impacts, these will be presented to the Committee at a future meeting.

Current Discussion Points

At this time, the Administration is seeking guidance from the Committee on the following points:

- As a result of concerns that were raised by certain segments of the development community, as well as some concerns raised by staff, regarding the fee amounts and administrative processes related to the fees, the Administration brought Maximus back to review the status of the permit fee implementation to answer whether or not the City met its original objectives, if staff was applying the fee structure correctly, and to review the issues being encountered and identify appropriate solutions. A copy of the Maximus report is attached as Attachment A.

  Maximus' re-evaluation of the City's implementation revealed that the City's new permit fee structure based on square feet is more simple than the previous schedule, which was based on construction cost. Maximus spoke at length with Building Department staff to determine if the staff was feeing permit applications correctly and found that indeed they were. With regard to whether or not the Building Development Process departments were recovering more in fees than costs for operation, Maximus determined that the departments were under-recovering their actual costs. Fee collection was actually less than what Maximus originally projected, and not covering the costs of the departments related to the Building Development Process.

  Based on discussions Maximus had with staff, Maximus is proposing refining plan review and permit inspection times for the Alteration/Remodel permit types by the Planning and Public Works' Departments based on current information.

  It should be noted that the levels of effort suggested for adjustment are not significant components of the overalls fees. Maximus estimates that the impact to the permit fees collected will result in a savings to customers in the amount of approximately $493,000. This amount will fluctuate depending on the number of permits applied for, the amount of square footage being renovated, and other factors outside of the City's control. The impact to the Planning Department Permit Fee revenue was estimated at approximately $412,000, and the impact to the Public Works Department budget is approximately $81,000, which will have to be replaced by General Fund dollars to completely fund the operations.

  The Administration recommends revising the permit fees for the Planning and Public Works Departments for Alteration/Remodeling permit types in an effort to provide more accurate permit fees and additional savings to the City's Building Development Process customers.

- When the current fee structure was adopted, there were some discounts built into the fee structure that were set to expire on September 30, 2011. Last year, these were extended and are now set to expire on September 30, 2012.

As stated earlier in this memorandum, the original intent of these discounts were:

1) To ensure that permits are pulled for small projects. If permit fees represent a large or excessive percent of the project costs, it will discourage customers from pulling permits;
2) To provide lower fees for residential projects; and
3) To incentivize environmental projects.

The Administration is recommending that the ordinance be changed such that the discounts remain permanently in effect.

- The current ordinances require the fees to be administratively adjusted annually to reflect increase(s) or decrease(s) in the Consumer Price Index for Consumers in the Southeast United States for all items, unless otherwise directed by the City Commission. The Consumer Price Index (CPI) adjustments for 2011 and 2012 were waived by the City Commission, finding it to be in the best interest of the City and the public, given the need to continue to evaluate the cost of permit fees as a percent of project costs.

  As a point of information for the Committee's consideration, the CPI for the southern region for all items from October 2010 through October 2011 was an increase of 3.7%. If the Committee, and subsequently the Commission, advises the Administration to proceed with adjusting rates related to the CPI, this means that the permit fees will be increased by 3.7%. The estimated impact on the Building Development Process departments' FY 2012/13 Current Service Level (CSL) revenues is approximately $420,000 if enacted effective October 1, 2012. Further, the preliminary estimated subsidy for the FY 2012/13 CSL budget from non-Building General Fund revenues is approximately $1.4 million.

  The Administration is recommending no changes to the ordinance, allowing the CPI increases to take effect for FY 2012/13.

CONCLUSION

The Administration recommends that the Committee recommend that the City Commission reduce fees related to Planning and Public Works' efforts in the interior Alteration/Remodeling permit types, extend the current discounts past September 30, 2012, and not waive the CPI increase for 2013.

Attachment A: Maximus Consulting Services, Inc.'s report – Review of Implementation of Fee Study

KGB/JGG/SS/KT
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Attachment 1

City of Miami Beach, Florida
Building Development Services– Review of Implementation of Fee Study
May 2011

INTRODUCTION

This report is a review of the implementation of the development fee study conducted in 2009. It includes two deliverables; the first reviews the structure of the fees with cost/ revenue analysis, the second reviews current issues with the fee structure and proposes recommendations for improvement.

REVIEW OF IMPLENTATION OF FEE STUDY (FIRST DELIVERABLE)

The City of Miami Beach contracted with MAXIMUS to conduct a cost of services study of its development service fees. The study was completed in the fall of 2009, after which The City of Miami Beach enacted the new fee schedule in February 1, 2010. The adopted fee schedule includes discounts on various fee services from the full cost determined through the cost analysis.

The objectives of the study were to:
a) Simplify the fee structure
b) Ensure that fees are revenue-neutral
c) Review if the City applied the fees correctly based on the final report

SIMPLICITY OF THE NEW FEE STRUCTURE

The City of Miami Beach spent a significant amount of staff time and effort during the cost of service study to make sure that the data it provided was accurate and reasonable. It also took the time to understand our proposed Nexus model and adapt it to the specific needs of the City.

The City's development services fee schedule is a thirty-page document – many times longer than we see in most cities, mostly due to the desire to tailor the schedule to a variety of specific development activities. Length by itself does not create complexity, but it can make it harder to find a specific item in a long list. It made the process of developing the fee schedule take much longer than it usually does, but it is not our finding that the resulting fee schedule is too complicated.

We feel that the City took a move toward simplicity by emphasizing per square foot charges in construction tables. We also recommend that the City limit the number of unique new fee types that evolve over time, but a limited number of periodic changes is not, in our opinion, a violation of the "keep it simple" principle.

REVENUE-NEUTRAL

To conduct a cost versus revenue comparison since the adoption of the new fee schedule, we requested the following information from the City:

- Revenue generated with new fees by month since adoption
- City cost based on the FY 2010/11 adopted budget
- Permit demand associated with those fees

A detailed analysis with graphs of actual revenue and budgeted cost by month is attached to this report in Excel format.

The table below shows the variance of revenue projection based on the change in fully-loaded hourly rates from FY 2008-09 to FY 2010-11. The building department hourly rate has increased by 12% but the hourly rates for Planning, Public Works and Fire have all decreased.

	2008/09 Fully-loaded hourly rate	2010/11 Fully-loaded hourly rate	% Change
Building	$ 114.00	$ 127.53	12%
Planning	$ 108.08	$ 98.80	-9%
Public Works	$ 103.07	$ 85.49	-17%
Fire	$ 95.46	$ 93.29	-2%

The table below shows the summary of actual revenue and budgeted costs for the four departments involved in development services.

	FY 2007/08	2009 Maximus Study				2011 Review			
TOTAL REVENUE	Actual Revenues	Total MAXIMUS Projected Revenue at Full Cost	Percent Cost Recovery	Total MAXIMUS Projected Revenue with Discounts	Percent Cost Recovery with Discounts	Actual Revenue March 2010 - Feb 2011	Estimated Cost for FY 2010/11	Percent Cost Recovery	Proj. Revenues with Proposed Revisions
BUILDING									
Annual Revenue*	$ 9,732,237	$ 9,536,470		$ 8,144,734		$ 7,833,458	$ 10,680,846		$ 7,833,458
Monthly Average	$ 811,020	$ 794,706	102%	$ 678,728	85%	$ 652,788	$ 890,071	73%	$ 652,788
PLANNING									
Annual Revenue	$ 452,023	$ 1,597,016		$ 1,337,078		$ 1,163,547	$ 1,453,285		$ 751,274
Monthly Average	$ 37,669	$ 133,085	28%	$ 111,423	84%	$ 96,962	$ 121,107	80%	$ 62,606
PUBLIC WORKS (Engineering)									
Annual Revenue	$ 650,448	$ 1,313,507		$ 1,184,707		$ 599,599	$ 1,090,211		$ 520,265
Monthly Average	$ 54,204	$ 109,459	50%	$ 98,726	90%	$ 49,967	$ 90,851	55%	$ 43,355
FIRE (Prevention)									
Annual Revenue	$ 648,049	$ 1,836,380		$ 1,499,136		$ 1,408,680	$ 1,799,652		$ 783,847
Monthly Average	$ 54,004	$ 153,032	35%	$ 124,928	82%	$ 117,390	$ 149,971	78%	$ 65,321
GRAND TOTAL	**$ 11,482,757**	**$ 14,283,373**	**80%**	**$ 12,165,655**	**85%**	**$ 11,005,284**	**$ 15,023,994**	**73%**	**$ 9,888,844**

*Excludes One time project Closeout revenues in the amount of $ 2,673,120 collected in FY 2007/08 and $922,627 collected between March 2010 and February 2011

Our understanding is that the development industry itself has changed since 2009, resulting in a shift from major new construction to minor remodeling projects. That appears to be the most likely reason for the shortfall.

APPLICATION OF FEE STRUCTURE

Has the City applied the fee schedule correctly? Not having directly observed how City staff calculated fees, MAXIMUS cannot answer this question based on direct observation of how fees were calculated. However, City staff demonstrated to us that they understood how to calculate and apply fees.

Alteration/remodel applications generated the most discussion in this project, but that discussion was more an expression of concern that the prices seemed high than how to apply fees. During this project, we had several conversations with City staff that left us confident that they know how to apply fees correctly and that reasonable processes are in place to avoid charging unfair or excessive fees.

One additional piece of evidence that staff are applying fees correctly is the finding that revenues from permits are roughly equal to the underlying costs of each category of service and in no case is revenue greater than the underlying cost pool.

RECOMMENDATIONS ON CURRENT ISSUES (SECOND DELIVERABLE)

In 2009, the City of Miami Beach adopted a new fee schedule for permits issued by the departments of Building, Fire, Planning and Public Works (Engineering). City staff have gained experience using this schedule and feel that certain changes may improve the ease of use and collective understanding of how to apply the fees in the ordinance. The purpose of this report is to address current issues and potential new fee categories that were identified during brainstorming sessions with the City of Miami Beach. This report addressed the following issues:

- The latest proposed "glitch ordinance" drafted to amend the fee schedules
- Current issues with the fee structure, including:
    - Alterations/Renovation Permits
    - Single Family Homes
    - ROW fees/crane fees
    - High rise fees

MAXIMUS also reviewed ten alteration/renovation projects that the City deemed illustrative of questions about how to apply the pricing in the ordinance. These examples are provided in a separate file.

"GLITCH BILL"- METHODOLOGY

The basic premise of activity-based costing is simple – apply an inclusive hourly that reflects the cost of resources to the time required to provide a service. In our 2009 study, a critical piece of our methodology was the hourly rate calculation. The model applies hourly rates to City staff explanations of time requirements to provide various services With respect to the "glitch bill," we find that the City correctly applied the MAXIMUS methodology in calculations to arrive at prices for newly-listed services.

We have three recommendations regarding the "Glitch Bill."

1) While it is sometimes necessary to add additional fee categories, the City should implement a review process so that the new fee categories add clarification and simplification and are not overly complicated or duplications of another fee. We understand the City's need for the additional fees in the glitch bill and believe that these add clarification.
2) Continue the practice of applying rates to estimated time to provide services. In 2009, we worked with staff to estimate the time to perform each service. We spent a great deal of time refining these efforts and checking them against available hours and comparing them to the reported effort required by other local building development services. By extending time estimates by quantities of each transaction type, we built up a total time requirement for each department. We reconciled the total time reported for each department to the time available in each department, net of the time required for paid leave and administrative duties.
3) In the same vein, we suggest that the City of Miami Beach use the annual quantities multiplied by the new fee prices to determine the financial impact of these changes.

The only new category that we recommend is one for "other projects not listed." It is impossible to predict all of the types of construction that may occur. In such cases, we recommend adding a category to the fee schedule as follows:

> "Other projects not listed. In case of a project not otherwise listed, the Building Director or designee shall apply the hourly rates for each department involved to an estimate of time required to review and inspect a new project."

ALTERATIONS/REMODEL

HISTORY

Typically, we use a model with a category for alteration/remodel permits in different occupancy types. The effort required for such permits is less than that involved in construction of new premises. In earlier drafts of our analysis for the City of Miami Beach, our model contained Level 2 Alteration categories for various occupancy types.

During draft reviews of our results in 2009, the cost of these activities were deemed sufficiently similar to new construction to merit eliminating the Level 2 Alteration permits in each occupancy type where it had been to that point and simply using the new construction category to price alteration/remodeling permits.

Recently, City staff indicated that for some of the applications received, the new construction category might result in an unreasonably high cost – defined as a permit whose price is a significant cost relative to the cost of the underlying construction work itself. This may reflect construction industry trends in the last two years, in which, nationally, there are more small alteration projects and fewer projects involving new construction or significant remodeling.

In reviewing the current situation, MAXIMUS finds that a reasonable resolution is to determine if the scope of remodeling will involve departments other than Building. The new construction permit pricing assumes involvement of the departments of Building, Fire, Planning and Public Works. After a detailed review, it was determined that all departments are still involved, but that the labor estimates for Planning and Public Works needed to be reduced to match the actual time that staff spend on these projects.

ATTACHMENT 2
City of Miami Beach, Florida
PROPOSED RENOVATION AND NEW CONSTRUCTION FEES

		Square Footage		PROPOSED DISCOUNTED FEE - Incremental Fee Per Incremental Sq Ft (Per Hundred Sq Ft)					TOTAL PROJECT COST	
Class	Occupancy Type	FROM	UP TO	Building	Fire	Planning	Public Works	TOTAL	FROM	TO
		0	500	$ 300.00	$ 45.29	$ 131.17	$ 46.38	$ 522.84	$0	$ 2,614.20
B	Business	501	2,500	$ 255.92	$ 33.87	$ 86.12	$ 0.83	$ 376.54	$ 2,990.74	$ 10,145.01
-	-	2,501	25,000	$ 80.63	$ 7.40	$ 9.48	$ 0.83	$ 98.14	$ 10,243.16	$ 32,227.50
-	-	25,001	50,000	$ 39.47	$ 5.71	$ 6.80	$ 0.62	$ 52.59	$ 32,280.09	$ 45,375.00

METHODOLOGY

We worked with City staff to review and update the time spent working on Level 2 alterations. The departments of Building and Fire reviewed their previous estimates and confirmed that they were reasonable. The departments of Planning and Public Works submitted changes. We used the same methodology as in the 2009 study:

1) We worked with staff to determined the labor effort for each type of Level 2 alteration by occupancy type
2) If staff asked us to scale the time estimates by project size, we did so based on the same scaling percentages as the 2009 study
3) We extended the departmental hourly rates to the time data that the departments supplied to reflect the cost of each activity
4) We update the fee schedule to show the actual cost and then applied the same percentage discounts to the recommended fees as in 2009

SPECIAL CASES

There are two special cases that need to be noted:

1) Planning requested that we calculate a separate fee for alterations done in historic districts because they require additional labor effort. While we understand their desire for this request, we found that the difference or percent fee increase for historic properties was about 1%, which we believe is not sufficiently material to justify the complexity of adding a new category to the fee schedule.
2) Staff report that Change of Use should be charged as New Construction. The City needs to clearly indicate this on the fee schedule. Our analysis has assumed that no permits are change of use. This assumption will undervalue the predicted revenue, but the City was not able to estimate how many alteration permits at this time require a change of use at this time.

REVENUE IMPACT

The City asked MAXIMUS to determine the financial impact of this change. The table below reflects the updated data from Planning and Public Works.

Revenue Comparison		
	Current Revenue (Building, Fire, Planning, Public Works)	**Predicted Revenue (w/ updated labor and discounts)**
Total	$ 3,906,651	$ 3,413,214
Additional Public Subsidy		$ (493,437)
Additional Planning Subsidy		$ (412,273)
Additional Public Works Subsidy		$ (81,164)

SPECIALTY PERMITS VERSUS LEVEL 2 RENOVATIONS/NEW CONSTRUCTION

The current fee schedule contains specialty permits for construction permits such as kitchen and bath remodels. The City asked what to do when an application covers what would normally be several different specialty permit items - should they be charged for specialty permits and when should they be charged based on the square footage of the occupancy type of Level 2 alteration/remodel (which is the same fee as new construction)?

The purpose of the fee schedule is to charge people what it costs to provide the services their requests invoke. The cost for specialty permits was determine based on how much staff time it would required to provide just that item. When a person needs to permit multiple work items, the staff time required is actually less (due to economies of scale). For example, inspectors can often make one trip to inspect multiple items.

The point at which the City's labor estimate for providing services based on level 2 alteration/remodel become more efficient than for specialty permits (usually after 2-3 specialty permits are needed) is when the applicant should be charge for a level 2 alteration/remodel. The challenge here is that there are so many permutations of what an applicant may wish to do, that it is not feasible to produce a schedule that anticipates all of those project types. The schedules follow an average cost methodology. MAXIMUS is not aware of any legal requirement to price services based on the requirements of single customers. It is not even clear that such a method would provide reduced fees. Theoretically, it would result in lower charges for some and higher charges for others. With actual revenue data suggesting that City collections are below the full cost recovery levels suggested in the 2009 report, it seems that, despite City concern about potentially overcharging, that assessing a specialty permit fee for each feature is valid.

SINGLE FAMILY HOMES

The Building Department reviewed all labor time estimates and confirmed that the new construction fee schedule time estimates were correct. Based on this, the City of Miami Beach can make a policy decision to discount single family homes if it wishes, although the cost data would support full cost pricing. The City has already decided to discount all custom homes less than 1,500 square feet. However, this is a policy decision and does not affect how much it actually costs the city to provide these services.

		Square Footage		TOTAL PROJECT COST		TOTAL PROJECT COST		
Class	Occupancy Type	FROM	UP TO	FROM	TO	FROM	TO	Percent Discount
		0	1,500	$0	$ 9,635.18	$0	$ 5,905.78	-63%
R-3	Dwellings—Custom Homes	1,501	2,500	$ 9,775.66	$ 11,039.98	$ 6,419.20	$ 11,039.98	0%
-	-	2,501	10,000	$ 11,180.46	$ 21,576.00	$ 11,180.46	$ 21,576.00	0%
-	-	10,001	50,000	$ 21,703.02	$ 72,384.00	$ 21,703.02	$ 72,384.00	0%

In our experience, it is rare to discount single-family home permit prices. With all due respect to limiting charges to applicants, these calculations reflect the value of the work done, they amount to small percentages of total project cost and charging based on cost protects other taxpayers from having to pay part of the cost of these private-benefit transactions.

RIGHT OF WAY FEES/CRANE FEES

Public Works used to charge based for blocking of Right-of-Way, (plus .25 Per L.F. per day, plus a Right-of-Way obstruction fee of $10.53 per square ft per day. The City is now charging for the blocking of right

Crane operators complained that the current $953 ROW obstruction fee which the crane operators pass onto their customers was too costly for crane lifts requiring less than 2 hours to complete.

Public Works was tasked to create a flexible ROW obstruction fee to be assessed separately for local, collectors and arterial roadways/street corridors; by implementing a priority/standard plan review process with priority reviews being processed as an emergency review to be completed on the same day submitted.

The flexible obstruction rates for priority/standard reviews clearly demonstrate that staff reduced level of efforts per category produced a significant fee reduction for crane operations performed within the public rights of way.

In the "Glitch Bill" amending the original fee schedule, Public Works has proposed charging for ROW based on the corridor classification (local, collector, arterial) and whether the review is propriety or standard. This is a standard structure for Public Works and

MAXIMUS supports this change. This change also makes it easier for Public Works to provide labor based justifications for their fees.

HIGH-RISE PERMITS

In 2009, MAXIMUS worked with City staff to gain an understanding of labor efforts for each service. We ask City staff to decompose their work into steps and will estimate the time required for each step. Since it is not feasible to ask how long the City spends with intake, plan review, and inspection for each occupancy type and each size project within each occupancy type, we make some simplifying assumptions.

- For certain permit types, we asked questions about effort level differences for projects of different sizes in a single occupancy type. For example, we asked staff how long it took to provide a group of services for the following sized businesses.

Related IBC Class	Building Use (e.g., IBC/FBC Occupancy Type)	Standard Occupancy Size (sf)
B	Business	500
"	***complete all lines—Commercial Scaling***	2,500
"	***complete all lines—Commercial Scaling***	5,000
"	***complete all lines—Commercial Scaling***	10,000
"	***complete all lines—Commercial Scaling***	25,000
"	***complete all lines—Commercial Scaling***	50,000
B	Business—High Rise <50,000 sf	25,000
B	Business—High Rise 50,000 sf to 100,000 sf	75,000
B	Business—High Rise >100,000 sf	150,000

- The City's answers about how much longer it takes to serve a larger-sized project within these key occupancy types represent a percentage difference that we can apply to related occupancy types.

The standard MAXIMUS Nexus model contains an occupancy category for business and business high-rise (as seen above). However, MAXIMUS confirmed that the labor required to provide a business permit and a business high=rise permit were sufficiently similar to combine the two categories.

In addition, the City grouped occupancy types where the cost per square foot for permits greater than 50,000 was similar. On average, it always requires more time to permit a larger building. As a result, the cost of a larger project should be more than a smaller sized permit of the same occupancy type. However, the cost for square foot actually decreases. The City has taken this unique aspect into consideration when developing their fees. Many cities, especially those that have not based their fee structure on an activity-based costing study, do not take this into consideration.

Staff spent significant time deciding that this was the best solution. Unless the underlying facts have changed – and we have not seen evidence of this – we recommend no change to the structure of the 2009 report on this point.

PUBLIC WORKS REVENUE

	FY 2007/08	2009 Maximus Study				2011 Review		
TOTAL REVENUE	Actual Revenues	Total MAXIMUS Estimated Full Cost	Percent Cost Recovery based on FY 2007/08 Revenues	Total MAXIMUS Projected Revenue with Adopted Fees	Percent Cost Recovery with Adopted Fees	Actual Revenue March 2010 - Feb 2011	Estimated Cost for FY 2010/11	Percent Cost Recovery
PUBLIC WORKS (Engineering)								
Annual Revenue	$650,448	$1,313,507		$1,184,707		$599,599	$ 1,090,211	
Monthly Average	$54,204	$109,459	50%	$98,726	90%	$49,967	$ 90,851	55%
Potential New Fees (General Fund) - Not Implemented								
Coastal Review		$ 15,461		$ 13,290				
Sewer Capacity Certification Letter Application		$ 185,528		$ 180,000				
Potential New Fees (Non-General Fund) - Not Implemented								
Backflow Annual Inspection Permit (Fire Suppression Fee)		$ 154,607		$ 154,000				
Annual Revenue - Adjusted	$650,448	$957,911		$837,417		$599,599	$ 795,066	
	$54,204	$79,826	68%	$69,785	87%	$49,967	$ 66,256	75%

Based on our initial review, it appeared as if Public Works was only recovering 55% of costs, while most other departments were recovering closer to 75%. The main reason for this difference is that our analysis included three new potential fee categories that were not implemented. Excluding these, Public Works actually recovered 75% of cost.

In addition, the Public Works department has continued to see a decline in permit activity. This is the main reason Public Works less than 100%, of cost. In 2008, Public Works performed 936 right-of-way permits. In 2011 the annualized number is projected to be 638, which is a 68% decline in permit volume.

Revenue Comparison		
	Current Revenue (Building, Fire, Planning, Public Works)	**Predicted Revenue (w/ updated labor and discounts)**
Total	$ 3,906,651	$ 3,413,214
Additional Public Subsidy		$ (493,437)
Additional Planning Subsidy		$ (412,273)
Additional Public Works Subsidy		$ (81,164)

ITEM FOUR

MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Kathie G. Brooks, Interim City manager

DATE: July 9, 2012

SUBJECT: **MASS TRANSIT CONNECTIVITY STUDY**

This item was briefly discussed at the Commission retreat held on May 18, 2012 and referred to the Finance and Citywide Projects Committee. The below information is provided to the Finance and Citywide Projects Committee for discussion and further direction.

BACKGROUND

Pursuant to adopted policies, goals, and objectives in the Transportation Element of the City's 2025 Comprehensive Plan, the City coordinates closely with Miami-Dade Transit (MDT) to ensure that transit service within the South Beach, Middle Beach, and North Beach communities improves mobility and promotes the use of alternative modes of public transit while preserving the historic character of the community.

The City Administration works closely with Miami-Dade Transit (MDT), the Miami-Dade Metropolitan Planning Organization (MPO), and the Florida Department of Transportation (FDOT) on various short term bus transit projects and initiatives in order to provide residents and visitors traveling in our City with an efficient public mass transportation system that offers safe, convenient, reliable, and accessible transit service and connections. However, a long-term visionary approach is needed to ensure the transportation demands of the future are met.

At this time, there is renewed interest, increasing demand, and new options for additional mass transit connections between the City and other parts of the County. In addition, new technology eliminates overhead catenary wires that were one of the concerns of the most recent potential mass transit connections – Bay Link.

Bay Link Transit Project

In 2004, the Miami-Dade Metropolitan Planning Organization (MPO) completed the Miami-Miami Beach Transportation Corridor Study, also known as Bay Link. The Bay Link study consisted of an approximately eighteen (18) mile long bi-directional loop route utilizing the Mac Arthur Causeway, Washington Avenue, Alton Road, 17th Street, and Dade Boulevard corridors. The estimated capital cost of the Bay Link LPA was $482.7 million and the annual operating and maintenance cost was estimated to be $12.1 million in 2004 dollars.

On September 8, 2003, during a Special Commission Meeting, the Miami Beach City Commission, by a four-to-three vote, approved the streetcar mode and bi-directional loop route, with some route

modifications. On November 2, 2004, Miami Beach held a Straw Ballot Election which included a non-binding question which asked Miami Beach voters if there should be a light rail streetcar connection between South Beach and Miami. Citizens of Miami Beach voted 55/45 in favor of the Bay Link project.

In spite of the support for the Bay Link Transit project, there were a few outstanding concerns over noise, vibration, and the proliferation of the necessary overhead catenary wires throughout the City's historic South Beach district. The unresolved concerns coupled with a lack of funding and political will at the County level to build, operate, and maintain the proposed Bay Link system resulted in a lack of support to program the funding necessary to complete the Preliminary Engineering phase of the project. Currently, the Bay Link Transit project is listed as a Priority IV Unfunded Project in the 2035 MPO Long Range Transportation Plan.

ANALYSIS

FEVE

In an effort to promote light rail transit technology along certain PTP corridors within Miami-Dade County and improve connections to the existing regional transit system, the Miami-Dade MPO and Miami-Dade Transit (MDT) have recently partnered with FEVE, a state-owned Spanish railway company operating approximately 777 miles of rail service. The rail technology implemented in many urbanized and historic parts of Spain is primarily characterized as a modern streetcar technology that operates in mixed traffic and pedestrian plazas, is not intrusive, and does not require overhead catenary wires between stations throughout the route in order to operate. (Attachment) The streetcars essentially "charge" only at stations via a pantograph mounted on the roof of the streetcar that extends upward to reach the overhead catenaries and charge at the stations and then collapses and hides within the roof structure of the streetcar. The streetcars travel from station to station without needing recharge, thereby significantly reducing the amount of exposed overhead catenary wires within historic cities.

FEVE officials have offered to conduct a study through the MPO to evaluate the feasibility and potential benefits of additional transit rail corridors at no charge to the MPO or Miami-Dade County. The intent of the Spanish-sponsored transit study is to further the development of additional rail transit corridors using the same technology that has been implemented in numerous historic cities within Spain and to alleviate traffic congestion and provide for greater mobility opportunities for Miami-Dade County residents and visitors. On January 26, 2012, the MPO Board passed a Resolution directing the MPO Director to coordinate with relevant Miami-Dade County and municipal officials, City of Miami and Miami Beach in particular, and staff to facilitate a study to be performed by FEVE as to the feasibility for potential light rail transit corridors.

Miami-Dade MPO Study – Tolled Managed Highways with Rapid/Enhanced Bus Routes

The Miami-Dade MPO is currently undertaking a planning study with the primary objective of developing an agency-supported, short-term, cost-feasible, countywide plan for an interconnected network of Tolled Managed Highway Facilities with rapid/enhanced bus service routes and infrastructure. Among the eight countywide corridors that will be highlighted as part of this MPO study is the Bay Link corridor - Mac Arthur Causeway (Downtown Miami Government Center to Miami Beach City Hall).

The study will focus on the concept of implementing variable pricing on existing free roadways or on new lanes on existing free roadways. This approach involves evaluating the feasibility of

implementing segregated managed lanes with all day variable pricing on existing un-tolled highways (such as the I-395/Mac Arthur Causeway and the I-195/Julia Tuttle Causeway). The study will evaluate the potential of using new revenues generated by the tolled managed lanes/facilities to fund the capital, operating, and maintenance costs of implementing enhanced or express bus services or other type of premium transit, such as light rail.

Traditional strategies of adding more roadway capacity on our major highways and more buses on our local street network are not only unaffordable, they are most often adversely impactful, time consuming to implement, and do not solve the transportation problem in an effective manner. If we continue to follow the same approach as in the past, congestion will only continue to worsen becoming more intense and for longer periods of time. The current condition and approach has and will continue to have a disproportionate impact on lower income travelers who typically do not have a choice and must rely on slow-moving street-running bus service.

It is time that we address the current and expanding transportation problem in our City with a new, expedited, financially and environmentally sustainable approach. Toll managing the Mac Arthur Causeway and/or Julia Tuttle Causeway can be financially self-supporting for an enhanced bus service or light rail transit and represents an equitable approach to providing travel options for everyone. A toll-managed Mac Arthur Causeway and/or Julia Tuttle Causeway, for example, can be used to alter travel behavior and patterns by mode, by facility, and by time of day. Implementation of toll managed facilities would have very limited adverse impacts to the human and natural environment while over long-term they could result in fewer adverse impacts than the alternative of doing more of the same. Tolled managed highway facilities are an innovative, lower cost alternative to traditional highway construction that can offer a variety of travel options for avoiding congestion, maintaining a congestion-free alternative 24/7.

OPTIONS FOR CONSIDERATION

1. Re-evaluate a light rail transit/streetcar project to connect Miami Beach to the Mainland. This alternative would entail revisiting the Bay Link Transit Study and reevaluating the Refined Locally Preferred Alternative in the context of applying new state-of-the-art technologies for propulsion systems, such as that currently in use by FEVE in Spain, that do not require the proliferation of overhead catenary wires throughout the City and minimize noise and vibration effects.

2. Evaluate the feasibility of implementing a cross-Bay Bus Rapid Transit (BRT) system. This alternative would explore opportunities for BRT operation along the general-use lanes and shoulders of the Mac Arthur Causeway and/or Julia Tuttle Causeway. A BRT mode would require signal pre-emption that would serve as a "queue jumper" and allow the BRT vehicles to proceed through signalized intersections without stopping.

Although the consideration of these options can be done at different stages, a comprehensive look at the link between the City and the mainland would explore the feasibility of both alternatives. This study would look at both options using a range of service oriented and financial criteria while exploring the new vehicle technology that was not available in the 2004 Bay Link Study. In an effort to enhance the transit connection between Miami Beach and the mainland, the administration would go through extensive coordination with Miami-Dade MPO, Miami-Dade Transit (MDT), and Florida Department of Transportation (FDOT). The coordination with local agencies would facilitate the process since the study requirements would not be as labor intensive as those required by the

Federal Transit Administration (FTA). Based on similar studies done by other local cities and taking into account the extensive work that has been done on this front by the Miami Dade MPO, the administration estimates that a feasibility study and the preliminary engineering for a Miami Beach – Miami Mass Transit Connectivity project would have an estimated cost of $320,000.00 that could be funded from the Concurrency Fund .

The above information is being provided to the Finance and Citywide Projects Committee for discussion and further direction.

Attachment:
Photos of FEVE

F:\WORK\$ALL\(1) EMPLOYEE FOLDERS\FIORELLA SARMIENTO\ Mass Transit Connectivity

KGB/FHB/JJF/RWS/JRG

CATENARY FREE TRAMWAY

catenary-free route

catenary-free route

catenary-free route

ITEM FIVE

MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Kathie G. Brooks, Interim City Manager

DATE: July 9, 2012

SUBJECT: **MIAMI BEACH MASS TRANSIT LOOP**

BACKGROUND

Pursuant to adopted policies, goals, and objectives in the Transportation Element of the City's 2025 Comprehensive Plan, the City coordinates with Miami-Dade Transit (MDT) to ensure that transit service within the South Beach, Middle Beach, and North Beach communities improves mobility and promotes the use of alternative modes of public transit while preserving the historic character of the community.

As such, the City Administration is working closely with Miami-Dade Transit (MDT), the Miami-Dade Metropolitan Planning Organization (MPO), and the Florida Department of Transportation (FDOT) on various transit projects and initiatives in order to provide residents and visitors traveling in our City with an efficient public mass transportation system that offers safe, convenient, reliable, and accessible transit service and connections, now and in the future.

South Beach Local

On September 25, 2005, the City of Miami Beach and Miami-Dade Transit (MDT) collaboratively launched the South Beach Local Circulator service (known as the SoBe Local). The South Beach Local replaced the City's Electrowave Shuttle service which had been in service continuously since 1998 providing public transportation for the South Beach residents and visitors.

The South Beach Local is a bi-directional circulator providing public transit service to the eastern and western areas of South Beach with a recent extension of service to Belle Isle. The South Beach Local provides transit service to connect commercial and recreational activity centers with the high density residential neighborhoods and tourist activities in South Beach and provides the advantages of small buses with short headways and a $0.25 fare to attract riders who would otherwise contribute to traffic congestion and parking shortages by driving. The current service schedule consists of Monday – Sunday service from 7:40AM – Midnight with 13-minute headways during the peak and 20-minute headways during off-peak times.

Since inception, the South Beach Local has proven to be the most successful MDT-operated circulator with an estimated annual ridership of approximately 1,563,000 and more than 127,000 boardings per month since the beginning of this fiscal year. The annual operating and maintenance cost of the service is estimated at $3,152,000. Funding for the operations and

maintenance is provided by City of Miami Beach and MDT. The City currently contributes $1.2 million annually from the Charter County Transportation Surtax (half-cent) allocation and MDT contributes $1.9 million.

North-Middle Beach Transit Circulator Study

In 2012, the City of Miami Beach, in cooperation with the Miami-Dade Metropolitan Planning Organization (MPO), completed a study (Attachment B) to identify a transit service that would be customized to the unique needs of the A1A/Collins Avenue/Indian Creek Drive corridor along the eastern coast of the city. While A1A is currently served by a dozen MDT bus routes, MDT service best serves trips between Miami Beach and destinations elsewhere in Miami-Dade County. Only two routes traverse the length of the corridor between 71st Street and South Beach; other routes cover portions of that length and then connect with the rest of the county across Biscayne Bay. Traveling by bus within the city along the A1A corridor is therefore more complicated and less convenient than would otherwise be expected.

The recently published resident satisfaction survey reported that seventy-eight percent of respondents in the Mid Beach "condo corridor" and North Beach use the car as their primary mode of transportation. Eighty-nine percent of Mid Beach respondents reported the car as the primary mode. Public transit bus use was six percent or less for the three geographic areas (condo corridor, Mid Beach, and North Beach). Use of the South Beach Local was similar for the condo corridor and Mid Beach; 12 percent of North Beach respondents reported the South Beach Local as the primary mode of transportation. The relatively low reliance on public transit appears to reflect the deficiencies in existing bus service in the study corridor.

The proposed service would be uniquely configured to serve the high rise condominiums, apartment buildings, and hotels for which transit travel is a voluntary alternative to travel by private automobile. Generally, auto ownership and household income in the corridor is high suggesting considerable discretion in mode choice for residents and visitors in the corridor. In addition, the service would carry residents and visitors to non-work destinations: restaurants, entertainment venues, and shopping rather than to places of employment. While the service could also carry workers to jobs, the existing MDT service suffices and this proposed service could offer additional options for work trips.

ANALYSIS

Based upon a review of existing conditions and discussions between the MPO consultant and City staff, an alignment and service plan were formulated. The proposed service would carry residents and visitors from the high rise condominiums and hotels along A1A to the retail and commercial districts along 71st, 41st, and 17th Street (Attachment A). The service would intersect with and therefore support transfers to Miami-Dade Transit service within Miami Beach and to destinations on the mainland. This service would require the operation of six buses, of which two City-owned vehicles could be deployed. An additional vehicle, for a total of seven, should be acquired to use as a spare, particularly as the vehicles become older and require more substantial maintenance.

An estimate of capital and operating & maintenance costs was developed based on transit operations in the Cities of Miami, Doral, and Hialeah, all systems that rely on contract service and/or non-union employees. Anticipated costs were limited to: the purchase of vehicles, 28 to

35-foot diesel buses similar to those used on the South Beach Local; hybrid or other "green" technology vehicles could be substituted at some additional cost; automatic vehicle location/GPS/traffic signal priority technology to support passenger information systems and better management of on-time service; and minimal accommodations for a dispatcher and drivers. Bus shelters and other passenger amenities were assumed to be covered by the type of turnkey contract funded through advertising on the shelters.

The total cost for the initial system was estimated at $3.3 million in capital costs and $1.6 million in annual operating and maintenance costs. Given the preliminary annual budget of $1.3 million for operations and maintenance the proposed service plan is as follows:

- 15-minute frequency between noon and midnight, 7 days per week, 364 days per year
- Service route operating along 71st Street/Normandy Drive to A1A to 41st Street at Sheridan returning on 40th Street to A1A, then continuing south on A1A to Washington Street at Lincoln Road.

Based on the ridership of the South Beach Local, it is estimated that the proposed North/Middle Beach Circulator will have an annual ridership of 967,673 (Attachment B). The revenue to be generated by the collection of fare and advertising was not estimated as part of the study.

Rider Survey

To assist in evaluating the potential for the proposed service, a survey was distributed to residents and hotel guests along the proposed transit route. A total of nearly 4,767 surveys were distributed to the residents and guests of 25 separate condominium, apartment, and hotel buildings. Although only 255 responses (4%) were received, these indicate that 45% of residents of the respondents use transit regularly. The respondent survey also indicated that thirty three percent (33%) use transit for entertainment related trips.

Operation System

Miami Dade MPO North-Middle Beach Transit Study looked at the three alternatives below:

Alternative 1: Miami Dade Transit (MDT) as Sole Operator

This alternative relies upon MDT as the sole operator to extend service in accordance with the plan studied. MDT would assume all responsibilities including that of hiring staff and delivery and maintenance of vehicles. The tentative cost could be reached by assuming a distribution of 50/50 in the cost of during the life of the contract. The cost estimate for this alternative assumes no capital cost for the City since no new buses would need to be purchased. The Annual Operation and Management (O&M) cost to the City is estimated to be $1,581,000 assuming that MDT will assume 50% of the cost. The City has not approached Miami Dade Transit with this option. Further, due to the doubling of service to an area, it could be assumed that the 115 and 117 bus routes would be removed.

Alternative 2: City of Miami Beach as Sole Operator

Under this alternative, the City would assume all responsibility of the route and its service. The initial outlay of bus purchase and other capital expenditures would occur in the first year. In subsequent years the City would incur only operation and maintenance costs. This allows the City to provide vehicles that are tailored to the need of the market and to make the adjustments to the route in accordance with the demand. The disadvantage of this arrangement is that the

City would have to embark upon an operation outside the City's core competency. An individual would have to be designated or hired to manage the service. The salary of this individual is not included in the yearly cost for the operation. This estimates a first year cost of $3,019,000, this cost is comprised of the addition of the initial capital cost of $1,864,000 and the operating and maintenance cost of $1,154,000.00.

Alternative 3: Turnkey Operator as Sole Operator

Under this alternative, the City would engage a private operator to procure vehicles and provide service for a fixed price. Training of personnel, maintenance of vehicles, and all other responsibilities would fall solely to the operator. The operator could be engaged in a performance-based contract, requiring specific services including service reliability. The initial cost of purchasing the buses would remain the same as Alternative 2 but would be paid over several years. The annual operating and maintenance cost is estimated to be $1,609,000.00.

Alternative	Year 1	Subsequent Years
Alternative 1	$ 1,581,000	$ 1,581,000
Alternative 2	$ 3,019,000	$ 1,154,000
Alternative 3	$ 1,609,000	$ 1,609,000

CONCLUSION

The Administration recommends that the City issue a request for proposals for a "turnkey" contract with a qualified operator, including maintenance staff, to operate the proposed service. This alternative is competitive in pricing but does not risk a reduction in MDT existing bus service or require the City to undertake a service outside its core competency.

The "turnkey" contract could potentially be funded with Quality Of Life funds (QOL) and Parking funds if the bus transit circulator provides service to parking garages and or parking lots along its service route.

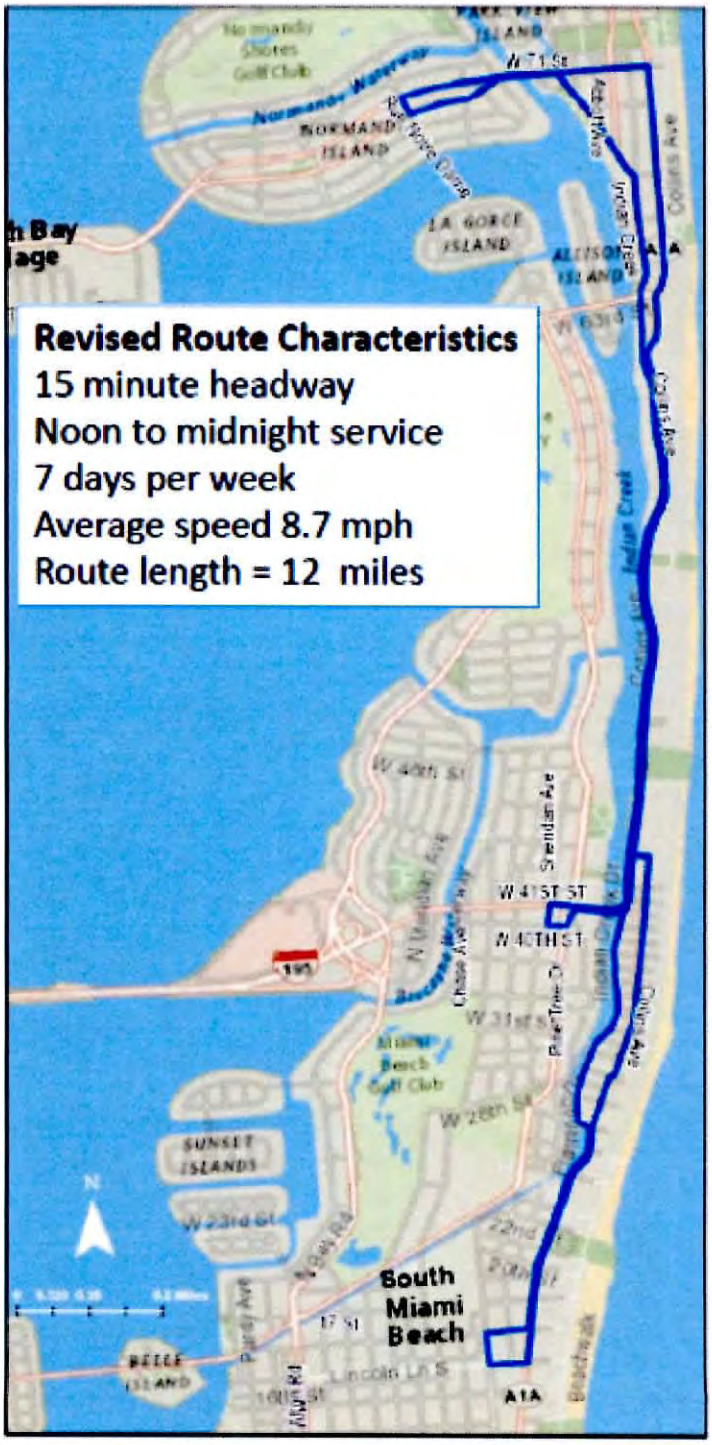
Fifty percent of the amount QOL funds earned is committed to the payment of a portion of the debt service on the Miami beach Redevelopment Agency- City Center/Historic Convention Village Bonds. These bonds were used for the development, improvement and construction of certain public areas including a portion of the Cultural Center facilities located within the City Center District. The remaining fifty percent is allocated equally among North Beach, Middle Beach, and South Beach for capital projects that enhance Miami Beach's tourist related areas and various arts and cultural programs.

If instead of 4 categories, the 50% of QOL funds are broken into 5 categories, approximately $900,000 could be available for the North-Middle Beach Transit Circulator. While funding level for the other 4 categories would be reduced, the funding level would still be similar to recent years.

Attachments:

A: North-Middle Beach Transit Circulator Route
B: Ridership Estimate for North/Middle Beach Circulator

JGG/FHB/JJF/RWS/JRG/JFD
T:\AGENDA\2012\7-18-12\ Miami Beach Mass Transit Loop



Proposed Route

Ridership Estimate for North-Middle Beach Transit Study

Ridership for the North-Middle Beach Transit Service (DecoBus) was estimated based upon that of the South Beach Local (SBL), which serves a comparable geographic area and offers similar service characteristics. Both services operate over a route length of approximately 10 miles (the DecoBus route is 12 miles) and have comparable headways (10 minutes for SBL, 15 minutes for DecoBus).

The characteristics for both services are summarized in the table below.

Table 1- Estimate of DecoBus Ridership

Row	Route Characteristic	DecoBus	SBL
1	Population within 1/2-mile of Route	41,522	39,490
2	Population within 1/2-mile of DecoBus Route across Indian Creek	6,490	-
3	Net Population within 1/2-mile of DecoBus Route	35,032	39,490
4	DecoBus Runs per day	96	123
5	Headway (minutes)	15	10
6	# of Stops	27	84
7	Stops spacing (feet)	2,327	628
8	Route Length (feet))	62,828	52,755
9	Average walk distance (0.25 miles + 1/2 stop spacing)	2,483	1,634
10	Average walk time (3.5 ft/sec) (minutes)	12	8
11	Average bus speed (mph)	9.50	15.70
12	Average wait time (min)	7.50	4.88
13	3 times wait time + travel time (5 mile trip)	23	15
14	Span of service (hours)	12	20
15	Reduction for span of service (1/2 difference)	80.00%	
16	Reduction for trip time	88.35%	
17	Reduction for population (ratio of potential market)	88.71%	
18	Average Annual Ridership	967,673	1,543,379

Rows 1 through 3 address the resident population of the two service areas. Because DecoBus runs adjacent to Indian Creek over several miles, the area west of the creek should not be considered part of the service area for that route and the population is subtracted from the calculation.

Rows 4 through 8 summarize the physical characteristics of the two routes. The DecoBus route is longer than the SBL and stop spacing is greater. Consequently, the average walk distance to a DecoBus stop is expected to be approximately 50 percent greater than for a walk to a SBL stop (Rows 10 and 11). The headway for DecoBus is also 50 percent greater than for the SBL. Noting that wait time is typically perceived as having three times the impact on riders as travel time, and using a five-mile trip as the typical trip length on either service, the DecoBus trip will take about 50 percent longer than the SBL trip. The average bus travel speeds are also faster on the SBL than the DecoBus.

It is also noted that the SBL operates approximately 20 hours per day while DecoBus is planned for 12 hours per day.

Rows 15 through 18 are the factors that have been applied to the SBL ridership to generate DecoBus ridership. Based upon the 1.5 million annual passengers on the SBL (May 2011-April 2012) DecoBus can be expected to generate approximately 970,000 riders a year, assuming a comparable fare of $0.25 per rider. The resulting revenue would be $242,500/ year.

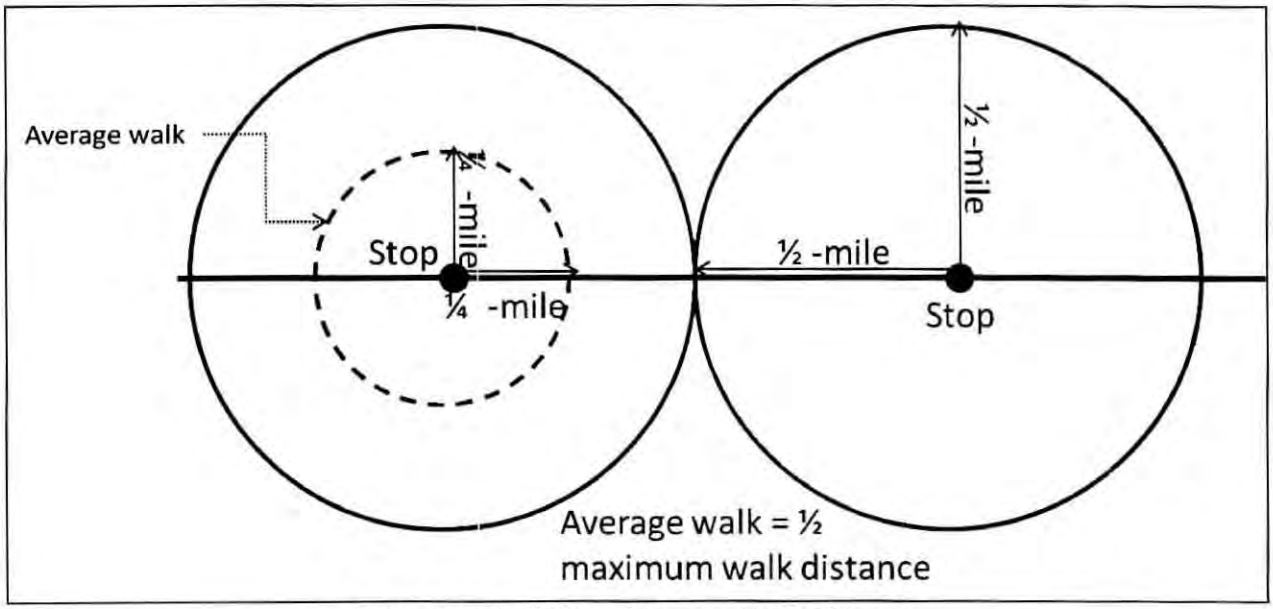


Figure 1- Calculation of Average Walk Distance

Benefit to Other Transit Systems: (What lessons can this project provide to other agencies?)

1. DecoBus represents a service that is customized to the market. While transit systems typically serve home-to-work trips, the proposed service would address non-work trip needs between primarily residential areas and retail/commercial/tourist areas. This unique approach, leaving traditional transit trips to Miami-Dade Transit bus service and customizing local intra-city service to choice riders for discretionary travel, DecoBus demonstrates the ability to generate transit ridership based on local needs.
2. DecoBus will increase interest and therefore ridership beyond the limits of the proposed service. As the system gains popularity, those who have not previously traveled on transit would become more comfortable taking Miami-Dade Transit service to areas beyond the DecoBus service area.
3. DecoBus will demonstrate the ability to complement line-haul service with circulators serving more concentrated service areas.
4. DecoBus will demonstrate the means by which a specialized service can be marketed (e.g., branding, unique station design, etc.) to make transit attractive to non-traditional markets.

DecoBus will demonstrate an approach to branding and marketing specialized transit service