



# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMITTEE MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: August 29, 2014

This shall serve as written notice that a meeting of the Finance and Citywide Projects Committee has been scheduled for August 29, 2014, at 9:00 A.M. in the Commission Chambers.

The agenda is as follows:

### OLD BUSINESS

1. **Discussion regarding Adoption of an Updated Strategic Plan for the Cultural Affairs Program, to include utilization of Fillmore Community Benefit Fund, Cultural Arts Council Endowment, and Cultural Affairs Program Fund Balance Funds for Greater Cultural Benefits for Residents and Visitors (April 23, 2014 Commission Item C4B)(190)**

Max Sklar – Tourism, Cultural and Economic Development Director

2. **Discussion regarding the Schedule of User Fees for Various Parks and Recreation Programs and Services, Facility Admissions and Rentals (June 11, 2014 Commission Item C4F)(201)**

John Rebar – Parks and Recreation Director

3. **Discussion regarding renovation alternatives for Muss Park**

John Rebar – Parks and Recreation Director

4. **Discussion regarding Update on the Cost to complete the Biscayne Point Island Entry Way (July 23, 2014 Commission Item R9J)(212)**

David Martinez – CIP Director

5. **Discussion regarding finalizing proposed FY 2014/15 Operating and Capital budget**

John Woodruff – Budget and Performance Improvement Director

## **NEW BUSINESS**

6. **Discussion regarding Parking - Strategic Pricing (May 21, 2013  
Commission Item C4E)(195)**

Saul Frances – Parking Director

7. **Discussion regarding Water and Sewer Rates**

Eric Carpenter – Public Works Department

### **Finance and Citywide Projects Committee Meetings for 2014:**

**September 25, 2014**

**October 17, 2014**

**November 12, 2014**

**December 12, 2014**

PDW/rs/kd

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Cc. Mayor and Members of the City Commission  
Management Team

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# MIAMI BEACH

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## COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects / Budget Committee

FROM: Jimmy L. Morales, City Manager

DATE: August 15, 2014

SUBJECT: **A DISCUSSION REGARDING UTILIZATION OF CULTURAL ARTS COUNCIL ENDOWMENT TO FUND SLEEPLESS NIGHT FOR THREE CONSECUTIVE YEARS AS RECOMMENDED IN THE CULTURAL AFFAIRS PROGRAM STRATEGIC PLAN DRAFT**

### RECOMMENDATION

Refer discussion to Finance/Citywide Projects Committee as recommended by the Administration.

### ANALYSIS

The Cultural Affairs Program (CAP) in the Department of Tourism, Culture and Economic Development serves as an invaluable resource for the Miami Beach community and beyond. Working closely with the Miami Beach Cultural Arts Council (CAC), the 11-member advisory board founded in 1997, CAP sustains, develops and supports the arts in Miami Beach for the enjoyment, education, enrichment and benefit of residents and visitors.

Since 1997 the City has awarded more than \$10 million to approximately 130 nonprofit arts groups through its annual cultural grants program. Further, CAP partners with the Miami Beach Visitor and Convention Authority to award grants to projects that generate substantial cultural tourism.

CAP also provides active marketing assistance to individual cultural events and institutions, and markets Miami Beach as a cultural destination; supplementary arts education programs (since 2006) in Miami Beach schools and parks, serving more than 3,000 students annually; oversight of City-owned cultural facilities; and free outdoor arts programming through Arts in the Parks (since 2006), Sleepless Night (2007, 2009 and 2011) and SoundScape Cinema Series (since 2011).

CAP staff met with the CAC Budget Committee on October 15, 2013 to formulate strategies and goals for a new strategic plan. The Committee's proposals were discussed by the CAC at its meetings on November 7 and December 12, 2013, and again on January 14, 2014. The proposed strategic plan draft, attached here as Exhibit "A", was approved unanimously by the CAC at its March 6, 2014 meeting. It includes recommended utilization of funds already earmarked for the cultural arts, including the Fillmore Community Benefit Fund, CAC Endowment, and Cultural Affairs Program fund balance, to provide greater cultural benefits for residents and visitors.

This item was discussed at the May 20, 2014 Finance and Citywide Projects Committee meeting and the staff was directed to provide more detail at the July meeting. Discussion continued at the July 18, 2014 meeting, where it was recommended that the CAC Endowment use be scaled back to one event and brought back to the Budget Committee meeting on August 15, 2014.

Two other recommendations from the CAC were approved by the FCWP Committee on July 18<sup>th</sup>. The Committee recommended that the Administration cap the Cultural Affairs Program's fund balance at its current level of \$2,640,184 and include an annual increase for inflation. If necessary these funds could adequately cover the expenses of the Cultural Affairs Program for two years. Funds remaining in the CAP budget at the end of each fiscal year would be added to the CAC's grant budget for the following fiscal year. The Committee also approved changes to the Fillmore Community Benefit Fund rent waiver program, including a requirement that rent waiver recipients be required to offer free or discounted tickets to Miami Beach residents. The number of rent waivers available annually would increase from 12 to 24, with the additional 12 waivers restricted to live theater productions. Waivers for use of the smaller "Backstage" theater would require recipients to cap ticket prices at \$19, inclusive of all house and Ticketmaster surcharges. As previously mentioned the third CAC recommendation regarding the CAC endowment fund was referred to the Finance/Citywide Projects Committee Budget Briefing for further discussion.

## **BACKGROUND**

The original CAC created an endowment fund in 1998 with the thought that it would eventually grow large enough to provide enough income to fund the annual cultural grants program. From 1998 through 2001 the CAC contributed \$200,000 annually. In 2002 \$160,000 was contributed. The following year, due to decreased revenues from resort tax, no contribution was made. \$50,000 was contributed in 2004, and \$100,000 in both 2005 and 2006. Since that time no further contributions have been made, despite a significant increase in Resort Tax Quality of Life funding, since the CAC and the Administration agreed that greater public benefit would result from utilizing all available funds for grants and other cultural programming. The current balance of the endowment fund is \$1,581,873. CAC feels that it is highly unlikely that this fund could ever grow large enough to provide a useful source of income, and proposes liquidating the endowment over a three-year period to cover increased programmatic expenses for Sleepless Night and other free outdoor programs. Unforeseen future expenses or reduction in Quality of Life funding would be covered by the Fund Balance.

The CAC believes that it is essential for the City to present a major annual citywide cultural festival to maintain its position as an international cultural destination. CAC members unanimously endorsed the return of an annual Sleepless Night, building on the existing substantial international recognition of the brand. Seed funding could derive from liquidation of the CAC endowment, with additional funding from sponsorships and grants.

SLEEPLESS NIGHT was initiated in 2007 by the CAC as a way to focus the cultural spotlight on Miami Beach after the cancellation of the annual "Invitation to the Arts" at the Gleason. It was more than just the cultural takeover of Miami Beach, with 150 free arts and entertainment offerings at 80 different locations spread throughout the city and the 13-hour night that marks the end of Daylight Savings Time. It was in fact an enormous and successful intersection of community and culture that crossed all barriers of age, race, taste, economics and education. Its free programming was designed to appeal to every segment of our diverse population, providing a unique opportunity to create community through the universality of shared arts experiences. At the first Sleepless Night (November 3, 2007) an instant and enthusiastic community of 100,000 people enjoyed arts and entertainment offerings both familiar and new. The second Sleepless Night (November 7, 2009,) made possible by funding from the Knight Arts Challenge, drew more than 130,000 residents and visitors for free museum admissions, indoor and outdoor art installations and performances, street spectacle, music, dance, theater, comedy, circus and more, all connected by free shuttle buses with onboard arts programming. Sleepless Night is huge and inclusive: in one night it draws more than twice as many people as Art Basel Miami Beach or the South Beach Wine & Food Festival, and its residual effects for both artists and audiences are lasting. It

sends the positive message that Art Matters to our residents, visitors and businesses. The 2009 event received nearly a billion media impressions worldwide and attracted artist inquiries from across the U.S., Europe, Canada and South America. The 2011 Sleepless Night, again with major Knight Foundation and National Endowment for the Arts funding, received similar local praise and international media coverage, including a feature in Travel & Leisure magazine and a segment on ABC's Good Morning America. The CAC firmly believes that Sleepless Night has the potential to be as significant as any of the international *Nuit Blanche* events if it can be held on an annual basis to maintain the marketing and sponsorship momentum necessary for it to continue to grow.

\$527,291 allocated annually for Sleepless Night in 2015, 2016 and 2017 would guarantee that the event could occur for the three consecutive years necessary to apply for increased funding levels from the County, the State and the National Endowment for the Arts. In years two and three, additional Sleepless Night funding, traditionally from the VCA, NEA, Knight Foundation and corporate sponsors, could be used either to grow the event or to release Endowment Funds to be used for free programming in the Band Shell, Collins Park and SoundScape on a year-round basis.

## **CONCLUSION**

The CAC is requesting that its endowment fund of \$1,581,873 be dispersed over a three-year period (\$527, 291 per year) for funding three editions of Sleepless Night. The Administration believes that a one-time Sleepless Night will not accomplish the goal of the CAC as stated in the strategic plan draft, and that it would not make it easier, or even possible, to stage the event in subsequent years. CAP staff feels that a three-year run is essential to cultivate adequate outside funding for the event to continue. If the Mayor and Commission agree with the FCWP Committee's July 18<sup>th</sup> recommendation to fund only a one-time event, then the CAC should be given more time to propose other uses for the endowment funds that would benefit residents and visitors while also promoting Miami Beach as an international cultural destination.

**Exhibit "A"**  
**Cultural Affairs Program Strategic Plan draft**

To ensure that the needs and aspirations of the community are met moving into the future, CAP would concentrate on four areas:

- Variety of cultural activities, opportunities and facilities
- Growth of citizen participation, particularly among underserved and special needs populations
- Partnership development
- Value for all ages and ethnicities

Since funding is key, CAP staff will work to increase grant funding and to identify new revenue streams, both from within the City (dedicated Quality of Life funding, Community Benefit Fund, Art in Public Places Fund) and without. CAP's current annual budget is \$1,153,000, funded by the Greater Miami Convention and Visitors Bureau (per contract), Resort Taxes and Quality of Life funds. CAP currently has two restricted funds: a CAC endowment fund of \$1,581,873, and a CAP Fund Balance in the amount of \$2,640,184. The endowment fund was created by the CAC in an optimistic attempt to become self-sufficient, but no contributions to it have been made in several years. The Fund Balance serves as a "rainy day" fund to ensure that CAP operations and grants can continue in the event of a disastrous tourism year; it grows at the end of each fiscal year from leftover balances in CAP budget line items (unclaimed grants, excess marketing dollars, etc.) Revenue sources from outside the City could include corporate sponsorships and grants from government and private granting agencies and foundations.

**PROPOSED STRATEGIES AND GOALS**

**Grants**

- Increase funding for our existing cultural assets, particularly our Cultural Anchors
- Based on the success of the Byron bonus, North Beach Initiative, and Fresh Air Fund programs, craft further proactive grant programs to fulfill specific cultural needs (live theater for example), reach targeted age groups and ethnicities, and provide free programming in various parts of the City

**Marketing**

- Expand social media marketing efforts
- Continue to refine mbculture.com website and mobile website
- Continue paid marketing efforts to direct people to websites and to promote subscriptions to the weekly e-blast and the text messaging services
- Reinstate Sleepless Night or a similar large-scale, major, annual, City-funded cultural festival that attracts global attention
- Facilitate enhanced partnership with the hospitality industry

**Education**

- Expand in-school and after-school arts instruction at City schools, parks and youth centers through additional funding and/or corporate partnerships
- Facilitate hands-on arts instruction programs for resident adults

**Cultural Facilities**

- Continue to facilitate the relationship between the City and the Friends of the Bass Museum
- Propose expanded use agreement for Carl Fisher Clubhouse and Little Stage Theater to allow for more diverse cultural offerings for the community

- Manage the Community Benefit Fund Rent Waiver Grants program for the Fillmore
- Manage the SoundScape Wall Use Grants program
- Facilitate a "youth only" exhibition and performance space
- Encourage the city to set aside 20% of retail space in city garages for nonprofit arts uses

#### Arts in the Parks

- Expand offerings of live outdoor performances citywide
- Increase SoundScape Cinema Series screenings and digital art projections
- Promote local, resident-driven events and festivals to coincide with the residencies of major international trade shows for music, visual arts, etc

#### Additional Services

- Create a detailed, user-friendly manual to guide cultural providers through City processes, especially the Special Events Permit process
- Create an up-to-date cultural asset inventory, including both permanent venues and appropriate temporary performance/exhibition locations
- Maintain a Cultural Tourism calendar in cooperation with the GMCVB and MBVCA
- Arrange with outside providers to create affordable equipment rental packages to transform indoor and outdoor spaces for performers

### **FUNDING**

As previously mentioned a substantial amount of existing funding could be made available to CAP to realize these goals and strategies and strengthen Miami Beach's position as the preeminent cultural tourism destination in Florida.

#### *ENDOWMENT*

The original CAC created an endowment fund in 1998 with the thought that it would eventually grow large enough to provide enough income to fund the annual cultural grants program. From 1998 through 2001 the CAC contributed \$200,000 annually. In 2002 \$160,000 was contributed. The following year, due to decreased revenues from resort tax, no contribution was made. \$50,000 was contributed in 2004, and \$100,000 in both 2005 and 2006. Since that time no further contributions have been made, despite a significant increase in Resort Tax Quality of Life funding, since the CAC and the Administration agreed that greater public benefit would result from utilizing all available funds for grants and other cultural programming. The current balance of the endowment fund is \$1,581,873. CAC feels that it is highly unlikely that this fund could ever grow large enough to provide a useful source of income, and proposes liquidating the endowment over a three-year period to cover increased programmatic expenses for Sleepless Night and other free outdoor programs. Unforeseen future expenses or reduction in Quality of Life funding would be covered by the Fund Balance.

#### *FUND BALANCE*

The current CAP Fund Balance stands at \$2,640,184. The CAC proposes capping the Fund Balance at this amount, which if necessary could adequately cover the expenses of the Cultural Affairs Program for two years. Funds remaining at the end of each fiscal year should be added to the CAC's grants budget for the following year.

#### *DEDICATED FUNDING*

One-half of one percent of Resort Tax collection accounts for Quality of Life funding. Originally divided into three parts (South Beach, Middle Beach and North Beach,) CAP was added as a fourth recipient in 2004. Last year a fifth recipient (the North Beach circulator) was added, with the stipulation that CAP funding would be frozen at current levels until the other four recipients reach equal funding. The CAC

respectfully requests that the Mayor and Commission honor this ongoing commitment to arts funding and not allow further dilution of the Quality of Life funds.

**COMMUNITY BENEFIT FUND**

The Community Benefit Fund at the Jackie Gleason Theater was established by Resolution No. 83-17447 to provide discounted show tickets to senior citizen and student residents. It is funded by a \$1.50 surcharge on each ticket sold. The fund's purpose was further defined by Resolution No. 92-20454 to "present and promote performances, programs, shows and entertainment at reduced prices or free admission for the residents of Miami Beach." Resolution No. 98-22762 created the Community Benefit Fund Rent Waiver program, which pays the operator for theater rental fee waivers for up to twelve non-profit organizations per calendar year. Management of the rent waiver program was transferred from the Convention Center Advisory Board to the Miami Beach Cultural Arts Council (CAC) in 2009. The CAC is proposing a new requirement that all future rent waiver recipients be required to offer free or discounted tickets to Miami Beach residents.

At this writing the balance in the Community Benefit Fund is \$746,822. Funds are currently used only for the discount ticket program and to pay the operator for the twelve rent waivers available each calendar year. The fund nets between \$38,000 and \$108,000 annually after the rent waiver and discount ticket program costs are deducted.

The CAC is proposing to utilize the fund for greater community benefit by increasing the number of annual rental fee waivers from 12 to 24. This would allow the fund to continue to grow while meeting its other obligations, since the maximum cost of the additional waivers would be \$36,000. The CAC feels strongly that the additional 12 waivers are necessary for the CAC to realize its initiative to increase live theater offerings in Miami Beach. The Colony Theatre is both too large and too expensive for most of South Florida's theater groups, and it has suffered a decrease in bookings as new alternative and more affordable venues have opened on the mainland. The Fillmore's new "backstage" performance space, which seats 204 persons, is an ideal size for local theater groups, and the CAC is proposing a new targeted pilot grant program to begin in Fall 2014 which, in tandem with the rental fee waiver program, would enable theater groups (and cabaret and spoken word artists) to rehearse and present their shows at no cost for the theater, sound and lighting equipment and technicians. Ticket prices, including all house and Ticketmaster surcharges, would be capped at \$19. Waivers would continue to be available for the main theater as well, but the 12 additional waivers would be restricted for use with this new targeted live theater grant program. All rental fee waiver recipients would be required to offer free or discounted tickets to Miami Beach residents.

Fiscal Year	Opening Balance	Surcharge Revenue	Interest Earned	Grants Paid	Ending Balance
FY 07/08	\$188,666	\$107,558	\$8,373	(\$7,799.00)	\$296,797
FY 08/09	\$296,797	\$50,879	\$9,621	(\$13,002.50)	\$344,295
FY 09/10	\$344,295	\$95,264	\$6,899	(\$28,400.00)	\$418,057
FY 10/11	\$418,057	\$88,757	\$5,427	(\$26,200.00)	\$486,042
FY 11/12	\$486,042	\$125,276	\$4,793	(\$23,400.00)	\$592,710
FY 12/13	\$592,710	\$102,409	\$4,195	(\$40,400.00)	\$658,914
FY 13/14	\$658,914	\$108,988	\$2,121	(\$23,200.00)	\$746,822
FY 14/15 Projected	\$746,822	\$97,018	\$5,919	(\$72,000.00)	\$777,759
FY 15/16 Projected	\$777,759	\$97,018	\$5,919	(\$72,000.00)	\$808,696

### **SLEEPLESS NIGHT**

The CAC believes that it is essential for the City to present a major annual citywide cultural festival to maintain its position as an international cultural destination. CAC members unanimously endorsed the return of an annual Sleepless Night, building on the existing substantial international recognition of the brand. Seed funding could derive from liquidation of the CAC endowment, with additional funding from sponsorships and grants.

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## COMMITTEE MEMORANDUM

TO: Members of the Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager 

DATE: August 29, 2014

SUBJECT: **DISCUSSION OF THE SCHEDULE OF USER FEES FOR THE CITY'S GOLF COURSES**

### **BACKGROUND**

During the downfall of the economy, the revenues generated by the golf courses were negatively impacted. The City determined that it would not raise any rates during this time, thus resulting in the need to identify reductions to both, the operating and maintenance costs for both of the golf courses (Miami Beach Golf Course and Normandy Shores Golf Course). Given that the economy has begun to stabilize, there is an opportunity to assess the current fee schedules for the City's two golf courses. In preparation for the upcoming FY 2014/15 budget, Staff worked with Professional Course Management (PCM), who manages and operates the City's two golf courses and maintains the Par 3 Course, to conduct a fee assessment for the golf courses.

Since the renovated Miami Beach Golf Club opened in December 2002 through FY 2006, non-resident rates were raised incrementally several times. The resident daily fee and membership rates were raised once, from \$75 to \$80 (peak) and \$3,000 to \$3,500, respectively. However, there have not been any increases to golf fees since 2007. The member cart fee has been set at \$20 and has never been increased since inception. As of today, this is the lowest cart fee charged in South Florida.

In addition to the established golf fees for both courses, PCM also offers a "Premiere Card". This discount card can be purchased for an established price and allows for the cardholder to play at any of the Premier Card golf courses at a reduced rate. Fifty percent (50%) of the net proceeds (minus advertising and administrative costs) from Premiere Card sales are distributed amongst all of the participating golf courses and the remaining 50% is distributed at the end of the year based on the number of rounds that each course plays. Currently, Miami Beach Golf Course receives the highest distribution of the remaining net revenue, with approximately 50% and Normandy Shores Golf Course receives approximately 9%.

A survey was conducted by comparing the City's fees to a cross section of comparable golf facilities in our market area. The results of this survey are provided as "Attachment A". On July 18, 2014, the Administration presented a proposal to the Finance and Citywide Projects Committee (FCWPC) recommending increasing the golf rates for FY2014/15. During the discussion, clarification was provided to the FCWPC concerning the intent of the proposed fee increases. The recommendation to increase the rates for Miami Beach residents by \$5.00 is intended to address the rising operational costs due to the implementation of the City's Living Wage Ordinance, as well as the anticipated impacts stemming from the Affordable Healthcare Act. The increases to the non-resident

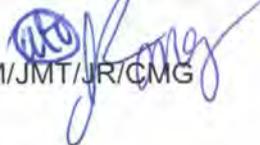
rates are being recommended in order to remain competitive in the market compared to other comparable golf courses in the area. The proposed fee schedule that was presented on July 18, 2014, is estimated to generate approximately \$349,836 for FY 2014/15, (\$218,076 for Miami Beach Golf Course and \$131,760 for Normandy Shores Golf Course). The proposed rate increases and corresponding revenue analysis are provided in "Attachment B". Following the discussion, the FCWPC directed the Administration to bring the item back to the August 13, 2014 FCWPC meeting where the proposed FY2014/15 budget will be discussed. This meeting was rescheduled for August 29, 2014.

On August 19, 2014, the Administration presented the Budget Advisory Committee (BAC) with the proposed fee schedule that was discussed during the July 18, 2014 FCWPC meeting. During the meeting, the BAC requested for the Administration to revise their proposal in order to maintain the rates currently charged to Miami Beach residents and South Florida residents at the Normandy Shores Golf Course, while still proposing increases that would generate approximately \$350,000 in revenue for FY 2014/15. Based on the direction from the BAC, the Administration has provided an additional proposal for consideration. This proposal would generate approximately \$349,675 in revenues (\$306,825 for MBGC and \$42,850 for NSGC) for FY 2014/15. However, it is important to note that based on the BAC's request, this proposal would increase the summer rack rate at the Miami Beach Golf Club by \$20. This increase would make the Miami Beach Golf Course rack rate one of the highest, if not the highest, in our market area for the summer months. The alternative proposal and corresponding revenue analysis based on the BAC's recommendations is provided as "Attachment C".

The BAC also made a motion to recommend that the City Commission consider providing the golf management company with the flexibility to make temporary rate adjustments at their own discretion, provided that they would be prohibited from increasing rates for Miami Beach residents. The Committee believed that providing this authority to the management company could give flexibility in order to capture additional revenue during slow periods and/or high profile events.

## **CONCLUSION**

The Administration is committed to providing quality Parks and Recreation services to our residents and guests. The Administration is also focused on the need to balance the cost of such services with the impact these services have on the City's budget. The cost of staffing, operations and maintenance continues to increase. Given that the City's golf fees have not been increased in over seven years, our fee schedule is below market rate. To attain a balance the City must establish fees that are reasonable, fair and in-line with other municipalities in the greater Miami-Dade County area. The approval of a rate increase is the first step in attaining this balance. Therefore, the Administration recommends that the City Commission approve increasing the existing golf rates and also consider incremental increases over the next five years in order to remain competitive with other comparable golf courses in south Florida, while minimizing any significant financial impacts to our residents and visitors who utilize the City's two golf courses. The Administration seeks direction from the Finance and Citywide Projects Committee on how they wish to proceed.

  
JLM/JMT/JR/CMG

Attachments

# Golf Rates

ATTACHMENT A

WINTER	Miami Beach		Normandy Shores		Turnberry*	Shula's		Crandon Park		Melreese		Plantation		Emerald Hills		Doral	Jacaranda	
	wd	we	wd	we	everyday	wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am	everyday	wd-am	we-am
	<b>Local</b>	\$80	\$80	\$60	\$60	\$295	\$60	\$90	\$85	\$95	\$68	\$78	\$68	\$78	\$157	\$157	N/A	\$89
<b>Florida Resident</b>	\$110	\$110	\$75	\$75	\$295	\$60	\$90	\$150	\$150	\$73	\$83	\$105	\$115	\$157	\$157	N/A	\$100	\$130
<b>Non-Resident</b>	\$200	\$200	\$120	\$120	\$295	\$90	\$130	\$225	\$225	\$150	\$150	\$115	\$125	\$157	\$157	Blue \$450 White \$250 Gold \$190 Silver \$190 Red - Closed	\$100	\$130

SUMMER	Miami Beach		Normandy Shores		Turnberry	Shula's		Crandon Park		Melreese		Plantation		Emerald Hills		Doral**	Jacaranda	
	wd	we	wd	we		wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am		wd-am	we-am
	<b>Local</b>	\$45	\$60	\$40	\$50	\$100	\$50	\$60	\$50	\$65	\$63	\$73	\$39	\$49	\$55	\$75	N/A	\$45
<b>Florida Resident</b>	\$80	\$95	\$50	\$65	\$100	\$50	\$60	\$50	\$65	\$68	\$78	\$50	\$60	\$55	\$75	N/A	\$80	\$90
<b>Non-Resident</b>	\$100	\$100	\$75	\$75	\$100	\$75	\$100	\$75	\$85	\$125	\$125	\$55	\$65	\$55	\$75	N/A	\$80	\$90

SHOULDER	Miami Beach		Normandy Shores		Turnberry	Shula's		Crandon Park		Melreese		Plantation		Emerald Hills		Doral**	Jacaranda	
	wd	we	wd	we		wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am	wd-am	we-am		wd-am	we-am
	<b>Local</b>	\$60	\$60	\$50	\$50	\$200	\$57	\$67	\$70	\$80	\$63	\$73	\$48	\$58	\$95	\$110	N/A	\$73
<b>Florida Resident</b>	\$95	\$95	\$65	\$65	\$200	\$57	\$67	\$70	\$80	\$68	\$78	\$77	\$87	\$95	\$110	N/A	\$94	\$100
<b>Non-Resident</b>	\$125	\$125	\$90	\$90	\$200	\$75	\$110	\$120	\$135	\$125	\$125	\$85	\$95	\$95	\$110	N/A	\$94	\$100

MEMBERSHIP	Miami Beach		Normandy Shores		Turnberry	Shula's		Crandon Park		Melreese		Plantation		Emerald Hills		Doral	Jacaranda		
	Single	Family	Single	Family	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family	Single	Single	Family	
	<b>Iniation Fees</b>	N/A	N/A	N/A	N/A	\$65,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$40,000	N/A	N/A
	<b>Resident</b>	\$3,500	\$4,500	\$2,000	\$3,000	\$17,000	\$3,200	\$5,200	N/A	N/A	\$3,000	N/A	\$2,600	\$3,500	\$6,000	\$9,000	\$8,100	\$3,650	\$4,800
	<b>Non-Resident</b>	\$5,500	\$7,000	\$3,000	\$4,500	\$17,000	\$4,000	\$6,000	N/A	N/A	\$3,000	N/A	\$3,100	\$4,000	\$6,000	\$9,000	\$8,100	\$3,650	\$4,800
<b>Cart</b>	\$20	\$20	\$20	\$20	\$28	\$24	\$24	\$24	\$24	\$25	\$25	\$21	\$21	\$22	\$22	\$30	\$25	\$25	
<b>F&amp;B Min.</b>	N/A	N/A	N/A	N/A	\$1,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

\*Turnberry's rates are for resort guests and members only

\*\* Doral's Summer and Shoulder rates not yet published

# Proposed Fee Increases

## Presented to the FCWPC on July 18, 2014

### Proposed Golf Rates for Miami Beach Golf Club

Summer (5/1 - 10/31)	Current	Proposed	\$ Increase
Rack Rate	\$ 100.00	\$ 100.00	
South Florida Resident			
Weekday	\$ 80.00	\$ 80.00	
Weekend	\$ 95.00	\$ 95.00	
Miami Beach Resident			
Weekday	\$ 45.00	\$ 45.00	
Weekend	\$ 60.00	\$ 60.00	
Shoulder (11/1 - 12/15)	Current	Proposed	\$ Increase
Rack Rate	\$ 125.00	\$ 130.00	\$ 5.00
South Florida Resident	\$ 95.00	\$ 100.00	\$ 5.00
Miami Beach Resident	\$ 60.00	\$ 65.00	\$ 5.00
Peak (12/16 - 4/30)	Current	Proposed	\$ Increase
Rack Rate	\$ 200.00	\$ 225.00	\$ 25.00
South Florida Resident	\$ 110.00	\$ 120.00	\$ 10.00
Miami Beach Resident	\$ 80.00	\$ 85.00	\$ 5.00

### Proposed Golf Rates for Both Courses

Proposed Cart Rates	Current	Proposed	\$ Increase
Cart Rate 18 Holes	\$ 20.00	\$ 22.00	\$ 2.00
Cart Rate 9 Holes	\$ 12.00	\$ 13.00	\$ 1.00

### Proposed Golf Rates for Normandy Shores Golf Club

Summer (5/1 - 10/31)	Current	Proposed	\$ Increase
Rack Rate	\$ 75.00	\$ 80.00	\$ 5.00
South Florida Resident			
Weekday	\$ 50.00	\$ 55.00	\$ 5.00
Weekend	\$ 65.00	\$ 70.00	\$ 5.00
Miami Beach Resident			
Weekday	\$ 40.00	\$ 40.00	
Weekend	\$ 50.00	\$ 55.00	\$ 5.00
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	
Shoulder (11/1 - 12/15)	Current	Proposed	\$ Increase
Rack Rate	\$ 90.00	\$ 95.00	\$ 5.00
South Florida Resident	\$ 65.00	\$ 70.00	\$ 5.00
Miami Beach Resident	\$ 50.00	\$ 55.00	\$ 5.00
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	
Peak (12/16 - 4/30)	Current	Proposed	\$ Increase
Rack Rate	\$ 120.00	\$ 125.00	\$ 5.00
South Florida Resident	\$ 75.00	\$ 80.00	\$ 5.00
Miami Beach Resident	\$ 60.00	\$ 65.00	\$ 5.00
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	

**Projected Rounds Mix Plan FY 15**  
**Miami Beach Golf Club**  
Proposed Rate Increases

**Projected**

	<u>Non Res</u>	<u>Avg. Rev.</u>	<u>Non Res.</u>	<u>M.B.</u>	<u>Avg. Rev.</u>	<u>M.B.</u>	<u>So. Fl. Res</u>	<u>Avg. Rev.</u>	<u>So. Fl.</u>	<u>Premier</u>	<u>Avg. Rev.</u>	<u>Premier</u>	<u>Member</u>	<u>Avg. Rev.</u>	<u>Member</u>	<u>Green Fee</u>	<u>Cart</u>	<u>Total</u>	<u>Avg. Rev.</u>	<u>Total</u>	
	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>		<u>Rounds</u>	
Oct	1100	\$85	\$93,500	375	\$53	\$19,875	175	\$87	\$15,225	1,900	\$32	\$60,800	400	20.00	\$8,000	\$110,500	\$86,900	\$197,400	\$50	3,950	
Nov	1100	\$120	\$132,000	700	\$65	\$45,500	250	\$100	\$25,000	1,200	\$32	\$38,400	550	20.00	\$11,000	\$168,300	\$83,600	\$251,900	\$66	3,800	
Dec	1300	\$160	\$208,000	925	\$72	\$66,600	600	\$110	\$66,000			\$0	600	20.00	\$12,000	\$277,250	\$75,350	\$352,600	\$103	3,425	
Jan	1100	\$220	\$242,000	1000	\$85	\$85,000	575	\$120	\$69,000			\$0	750	20.00	\$15,000	\$335,650	\$75,350	\$411,000	\$120	3,425	
Feb	1350	\$220	\$297,000	775	\$85	\$65,875	600	\$120	\$72,000			\$0	650	20.00	\$13,000	\$373,625	\$74,250	\$447,875	\$133	3,375	
March	1350	\$220	\$297,000	850	\$85	\$72,250	750	\$120	\$90,000			\$0	700	20.00	\$14,000	\$392,950	\$80,300	\$473,250	\$130	3,650	
April	800	\$220	\$176,000	650	\$85	\$55,250	250	\$120	\$30,000	1,450	\$32	\$46,400	500	20.00	\$10,000	\$237,350	\$80,300	\$317,650	\$87	3,650	
May	1200	\$85	\$102,000	400	\$53	\$21,200	200	\$87	\$17,400	2,500	\$32	\$80,000	450	17.00	\$7,650	\$123,750	\$104,500	\$228,250	\$48	4,750	
June	600	\$85	\$51,000	300	\$53	\$15,900	175	\$87	\$15,225	2,100	\$32	\$67,200	350	17.00	\$5,950	\$77,725	\$77,550	\$155,275	\$44	3,525	
July	450	\$85	\$38,250	375	\$53	\$19,875	225	\$87	\$19,575	2,500	\$32	\$80,000	400	17.00	\$6,800	\$77,600	\$86,900	\$164,500	\$42	3,950	
Aug	450	\$85	\$38,250	400	\$53	\$21,200	225	\$87	\$19,575	2,250	\$32	\$72,000	300	17.00	\$5,100	\$76,375	\$79,750	\$156,125	\$43	3,625	
Sept	600	\$85	\$51,000	300	\$53	\$15,900	200	\$87	\$17,400	2,100	\$32	\$67,200	400	17.00	\$6,800	\$79,100	\$79,200	\$158,300	\$44	3,600	
<b>TOTAL</b>	<b>11,400</b>	<b>\$151.40</b>	<b>\$1,726,000</b>	<b>7,050</b>	<b>\$71.55</b>	<b>\$504,425</b>	<b>4,225</b>	<b>\$108.02</b>	<b>\$456,400</b>	<b>16,000</b>	<b>\$32</b>	<b>\$512,000</b>	<b>6,050</b>	<b>19.06</b>	<b>\$115,300</b>	<b>\$2,330,175</b>	<b>\$983,950</b>	<b>\$3,314,125</b>	<b>\$74.10</b>	<b>44,725</b>	
																				\$3,314,125	44,725

Proposed rates increase cart and green fee revenues by \$218,076

**Projected Rounds Mix Plan FY 15**  
**Normandy Shores Golf Club**  
**Proposed Rate Increases**

**Projected**

	Non Res Rds.	Avg. Rev.	Non Res. Rev.	Senior Res. Rds.	Avg. Rev.	Senior Res. Rev.	M.B. Res. Rds.	Avg. Rev.	M.B. Res. Rev.	So. Fl. Rds.	Res. Avg. Rev.	So. Fl. Rev.	Premier Rds.	Avg. Rev.	Premier Rev.	Member Rds.	Avg. Rev.	Member Rev.	Twilight Rds.	Avg. Rev.	Twilight Revenue	Green Fee Rev.	Cart Rev.	Total Rev.	Avg. Rev.	Total Rounds
Oct	300	\$75	\$22,500	10	\$32.90	\$329	200	\$47	\$9,400	175	\$62	\$10,850	1,500	\$30	\$45,000	175	19.00	\$3,325	175	\$42	\$7,350	\$42,984	\$55,770	\$98,754	\$39	2,535
Nov	300	\$90	\$27,000	10	\$44.00	\$440	350	\$55	\$19,250	400	\$70	\$28,000	1,200	\$30	\$36,000	175	20.00	\$3,500	200	\$42	\$8,400	\$64,620	\$57,970	\$122,590	\$47	2,635
Dec	350	\$115	\$40,250	30	\$48.00	\$1,440	600	\$60	\$36,000	1200	\$76	\$91,200			\$0	175	20.00	\$3,500	350	\$42	\$14,700	\$127,580	\$59,510	\$187,090	\$69	2,705
Jan	350	\$120	\$42,000	50	\$52.00	\$2,600	500	\$65	\$32,500	1200	\$80	\$96,000			\$0	175	20.00	\$3,500	500	\$52	\$26,000	\$141,550	\$61,050	\$202,600	\$73	2,775
Feb	500	\$120	\$60,000	40	\$52.00	\$2,080	450	\$65	\$29,250	1100	\$80	\$88,000			\$0	225	20.00	\$4,500	550	\$52	\$28,600	\$149,400	\$63,030	\$212,430	\$74	2,865
March	600	\$120	\$72,000	50	\$52.00	\$2,600	550	\$65	\$35,750	1200	\$80	\$96,000			\$0	250	20.00	\$5,000	600	\$52	\$31,200	\$171,050	\$71,500	\$242,550	\$75	3,250
April	550	\$120	\$66,000	25	\$52.00	\$1,300	300	\$65	\$19,500	350	\$80	\$28,000	1,100	\$30	\$33,000	200	20.00	\$4,000	350	\$47	\$16,450	\$105,000	\$63,250	\$168,250	\$59	2,875
May	350	\$75	\$26,250	20	\$32.90	\$658	200	\$47	\$9,400	250	\$62	\$15,500	1,750	\$30	\$52,500	150	19.00	\$2,850	275	\$42	\$11,550	\$52,818	\$65,890	\$118,708	\$40	2,995
June	300	\$75	\$22,500	10	\$32.90	\$329	150	\$47	\$7,050	200	\$62	\$12,400	1,600	\$30	\$48,000	225	19.00	\$4,275	200	\$42	\$8,400	\$43,884	\$59,070	\$102,954	\$38	2,685
July	100	\$75	\$7,500	10	\$32.90	\$329	150	\$47	\$7,050	150	\$62	\$9,300	1,600	\$30	\$48,000	150	19.00	\$2,850	250	\$42	\$10,500	\$32,509	\$53,020	\$85,529	\$35	2,410
Aug	150	\$75	\$11,250	10	\$32.90	\$329	150	\$47	\$7,050	225	\$62	\$13,950	1,875	\$30	\$56,250	200	19.00	\$3,800	250	\$42	\$10,500	\$40,209	\$62,920	\$103,129	\$36	2,860
Sept	150	\$75	\$11,250	10	\$32.90	\$329	150	\$47	\$7,050	200	\$62	\$12,400	1,500	\$30	\$45,000	150	19.00	\$2,850	150	\$42	\$6,300	\$34,359	\$50,820	\$85,179	\$37	2,310
<b>TOTAL</b>	<b>4,000</b>	<b>\$102.13</b>	<b>\$408,500</b>	<b>275</b>	<b>\$46.41</b>	<b>\$12,763</b>	<b>3,750</b>	<b>\$58.47</b>	<b>\$219,250</b>	<b>6,650</b>	<b>\$75.43</b>	<b>\$501,600</b>	<b>12,125</b>	<b>\$30.00</b>	<b>\$363,750</b>	<b>2,250</b>	<b>19.53</b>	<b>\$43,950</b>	<b>3,850</b>	<b>46.74</b>	<b>\$179,950</b>	<b>\$1,005,963</b>	<b>\$879,775</b>	<b>\$1,729,763</b>	<b>\$52.58</b>	<b>32,900</b>

# Proposed Fee Increases Based on the BUDGET ADVISORY COMMITTEE RECOMMENDATIONS

## Proposed Golf Rates for Miami Beach Golf Club

Summer (5/1 - 10/31)	Current	Proposed	\$ Increase
Rack Rate	\$ 100.00	\$ 120.00	\$ 20.00
South Florida Resident			
Weekday	\$ 80.00	\$ 80.00	
Weekend	\$ 95.00	\$ 95.00	
Miami Beach Resident			
Weekday	\$ 45.00	\$ 45.00	
Weekend	\$ 60.00	\$ 60.00	
Shoulder (11/1 - 12/15)	Current	Proposed	\$ Increase
Rack Rate	\$ 125.00	\$ 130.00	\$ 5.00
South Florida Resident	\$ 95.00	\$ 100.00	\$ 5.00
Miami Beach Resident	\$ 60.00	\$ 65.00	\$ 5.00
Peak (12/16 - 4/30)	Current	Proposed	\$ Increase
Rack Rate	\$ 200.00	\$ 225.00	\$ 25.00
South Florida Resident	\$ 110.00	\$ 120.00	\$ 10.00
Miami Beach Resident	\$ 80.00	\$ 85.00	\$ 5.00

## Proposed Golf Rates for Both Courses

Proposed Cart Rates	Current	Proposed	\$ Increase
Cart Rate 18 Holes	\$ 20.00	\$ 22.00	\$ 2.00
Cart Rate 9 Holes	\$ 12.00	\$ 13.00	\$ 1.00

## Proposed Golf Rates for Normandy Shores Golf Club

Summer (5/1 - 10/31)	Current	Proposed	\$ Increase
Rack Rate	\$ 75.00	\$ 80.00	\$ 5.00
South Florida Resident			
Weekday	\$ 50.00	\$ 50.00	
Weekend	\$ 65.00	\$ 65.00	
Miami Beach Resident			
Weekday	\$ 40.00	\$ 40.00	
Weekend	\$ 50.00	\$ 50.00	
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	
Shoulder (11/1 - 12/15)	Current	Proposed	\$ Increase
Rack Rate	\$ 90.00	\$ 95.00	\$ 5.00
South Florida Resident	\$ 65.00	\$ 65.00	
Miami Beach Resident	\$ 50.00	\$ 50.00	
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	
Peak (12/16 - 4/30)	Current	Proposed	\$ Increase
Rack Rate	\$ 120.00	\$ 125.00	\$ 5.00
South Florida Resident	\$ 75.00	\$ 75.00	
Miami Beach Resident	\$ 60.00	\$ 60.00	
Miami Beach Resident Jr. (Walking Only)	\$ 5.00	\$ 5.00	

**Projected Rounds Mix Plan FY 15**  
**Miami Beach Golf Club**  
 B.A.C. Meeting Aug. 19, 2014 Rates

**Projected**

	<u>Non Res</u>	<u>Avg. Rev.</u>	<u>Non Res.</u>	<u>Res</u>	<u>Avg. Rev.</u>	<u>Res.</u>	<u>So. Fl. Res</u>	<u>Avg. Rev.</u>	<u>So. Fl.</u>	<u>Premier</u>	<u>Avg. Rev.</u>	<u>Premier</u>	<u>Member</u>	<u>Avg. Rev.</u>	<u>Member</u>	<u>Green Fee</u>	<u>Cart</u>	<u>Total</u>	<u>Avg. Rev.</u>	<u>Total</u>	
	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>		<u>Rds.</u>		<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>		<u>Rounds</u>	
Oct	1100	\$105	\$115,500	375	\$51	\$19,125	175	\$85	\$14,875	1,900	\$32	\$60,800	400	20.00	\$8,000	\$140,300	\$78,000	\$218,300	\$55	3,950	
Nov	1100	\$120	\$132,000	700	\$65	\$45,500	250	\$100	\$25,000	1,200	\$32	\$38,400	550	20.00	\$11,000	\$177,100	\$74,800	\$251,900	\$66	3,800	
Dec	1300	\$160	\$208,000	925	\$72	\$66,600	600	\$105	\$63,000			\$0	600	20.00	\$12,000	\$282,600	\$67,000	\$349,600	\$102	3,425	
Jan	1100	\$220	\$242,000	1000	\$85	\$85,000	575	\$120	\$69,000			\$0	750	20.00	\$15,000	\$344,174	\$66,826	\$411,000	\$120	3,425	
Feb	1350	\$220	\$297,000	775	\$85	\$65,875	600	\$120	\$72,000			\$0	650	20.00	\$13,000	\$381,575	\$66,300	\$447,875	\$133	3,375	
March	1350	\$220	\$297,000	850	\$85	\$72,250	750	\$120	\$90,000			\$0	700	20.00	\$14,000	\$401,650	\$71,600	\$473,250	\$130	3,650	
April	800	\$220	\$176,000	650	\$85	\$55,250	250	\$120	\$30,000	1,450	\$32	\$46,400	500	20.00	\$10,000	\$246,050	\$71,600	\$317,650	\$87	3,650	
May	1200	\$105	\$126,000	400	\$51	\$20,400	200	\$85	\$17,000	2,500	\$32	\$80,000	450	17.00	\$7,650	\$159,300	\$91,750	\$251,050	\$53	4,750	
June	600	\$110	\$66,000	300	\$51	\$15,300	175	\$85	\$14,875	2,100	\$32	\$67,200	350	17.00	\$5,950	\$101,825	\$67,500	\$169,325	\$48	3,525	
July	450	\$110	\$49,500	374	\$51	\$19,074	225	\$85	\$19,125	2,500	\$32	\$80,000	400	17.00	\$6,800	\$98,519	\$75,980	\$174,499	\$44	3,949	
Aug	450	\$110	\$49,500	400	\$51	\$20,400	225	\$85	\$19,125	2,250	\$32	\$72,000	300	17.00	\$5,100	\$96,625	\$69,500	\$166,125	\$46	3,625	
Sept	600	\$110	\$66,000	300	\$51	\$15,300	200	\$85	\$17,000	2,100	\$32	\$67,200	400	17.00	\$6,800	\$103,300	\$69,000	\$172,300	\$48	3,600	
<b>TOTAL</b>	<b>11,400</b>	<b>\$160.04</b>	<b>\$1,824,500</b>	<b>7,049</b>	<b>\$70.94</b>	<b>\$500,074</b>	<b>4,225</b>	<b>\$106.75</b>	<b>\$451,000</b>	<b>16,000</b>	<b>\$32.00</b>	<b>\$512,000</b>	<b>6,050</b>	<b>19.06</b>	<b>\$115,300</b>	<b>\$2,533,018</b>	<b>\$869,856</b>	<b>\$3,402,874</b>	<b>\$76.09</b>	<b>44,724</b>	
																				\$3,402,874	44,724

Proposed rates increase cart and green fee revenue by \$306,825

**Projected Rounds Mix Plan FY 15**  
**Normandy Shores Golf Club**  
**B.A.C. Meeting August 19, 2014 Rates**

**Projected**

	<u>Non Res</u>	<u>Avg. Rev.</u>	<u>Non Res.</u>	<u>Senior</u>	<u>Senior</u>					<u>So. Fl.</u>	<u>Avg. Rev.</u>	<u>So. Fl.</u>	<u>Premier</u>	<u>Avg. Rev.</u>	<u>Premier</u>	<u>Member</u>	<u>Avg. Rev.</u>	<u>Member</u>	<u>Twilight</u>	<u>Avg. Rev.</u>	<u>Twilight</u>	<u>Green Fee</u>	<u>Cart</u>	<u>Total</u>	<u>Avg. Rev.</u>	<u>Total</u>
	<u>Rds.</u>		<u>Rev.</u>	<u>Rds.</u>	<u>Avg. Rev.</u>	<u>Rds.</u>	<u>Avg. Rev.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rds.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rev.</u>	<u>Rounds</u>
Oct	300	\$75	\$22,500	10	\$33.75	\$338	200	\$45	\$9,000	175	\$55	\$9,625	1,500	\$30	\$45,000	175	19.00	\$3,325	175	\$40	\$7,000	\$46,088	\$50,700	\$96,788	\$38	2,535
Nov	300	\$90	\$27,000	10	\$37.50	\$375	350	\$50	\$17,500	400	\$60	\$24,000	1,200	\$30	\$36,000	175	20.00	\$3,500	200	\$40	\$8,000	\$63,675	\$52,700	\$116,375	\$44	2,635
Dec	350	\$115	\$40,250	30	\$41.25	\$1,238	600	\$55	\$33,000	1200	\$65	\$78,000		\$0	\$0	175	20.00	\$3,500	350	\$40	\$14,000	\$115,888	\$54,100	\$169,988	\$63	2,705
Jan	350	\$120	\$42,000	50	\$45.00	\$2,250	500	\$60	\$30,000	1200	\$70	\$84,000		\$0	\$0	175	20.00	\$3,500	500	\$50	\$25,000	\$131,250	\$55,500	\$186,750	\$67	2,775
Feb	500	\$120	\$60,000	40	\$45.00	\$1,800	450	\$60	\$27,000	1100	\$70	\$77,000		\$0	\$0	225	20.00	\$4,500	550	\$50	\$27,500	\$140,500	\$57,300	\$197,800	\$69	2,865
March	600	\$120	\$72,000	50	\$45.00	\$2,250	550	\$60	\$33,000	1200	\$70	\$84,000		\$0	\$0	250	20.00	\$5,000	600	\$50	\$30,000	\$161,250	\$65,000	\$226,250	\$70	3,250
April	550	\$120	\$66,000	25	\$45.00	\$1,125	300	\$60	\$18,000	350	\$70	\$24,500	1,100	\$30	\$33,000	200	20.00	\$4,000	350	\$45	\$15,750	\$104,875	\$57,500	\$162,375	\$56	2,875
May	350	\$75	\$26,250	20	\$33.75	\$675	200	\$45	\$9,000	250	\$55	\$13,750	1,750	\$30	\$52,500	150	19.00	\$2,850	275	\$40	\$11,000	\$56,125	\$59,900	\$116,025	\$39	2,995
June	300	\$75	\$22,500	10	\$33.75	\$338	150	\$45	\$6,750	200	\$55	\$11,000	1,600	\$30	\$48,000	225	19.00	\$4,275	200	\$40	\$8,000	\$47,163	\$53,700	\$100,863	\$38	2,685
July	100	\$75	\$7,500	10	\$33.75	\$338	150	\$45	\$6,750	150	\$55	\$8,250	1,600	\$30	\$48,000	150	19.00	\$2,850	250	\$40	\$10,000	\$35,488	\$48,200	\$83,688	\$35	2,410
Aug	150	\$75	\$11,250	10	\$33.75	\$338	150	\$45	\$6,750	225	\$55	\$12,375	1,875	\$30	\$56,250	200	19.00	\$3,800	250	\$40	\$10,000	\$43,563	\$57,200	\$100,763	\$35	2,860
Sept	150	\$75	\$11,250	10	\$33.75	\$338	150	\$45	\$6,750	200	\$55	\$11,000	1,500	\$30	\$45,000	150	19.00	\$2,850	150	\$40	\$6,000	\$36,988	\$46,200	\$83,188	\$36	2,310
<b>TOTAL</b>	<b>4,000</b>	<b>\$102.13</b>	<b>\$408,500</b>	<b>275</b>	<b>\$41.45</b>	<b>\$11,400</b>	<b>3,750</b>	<b>\$54.27</b>	<b>\$203,500</b>	<b>6,650</b>	<b>\$65.79</b>	<b>\$437,500</b>	<b>12,125</b>	<b>\$30.00</b>	<b>\$363,750</b>	<b>2,250</b>	<b>19.53</b>	<b>\$43,950</b>	<b>3,850</b>	<b>44.74</b>	<b>\$172,250</b>	<b>\$982,850</b>	<b>\$658,000</b>	<b>\$1,640,850</b>	<b>\$49.87</b>	<b>32,900</b>
																						982,850	658,000	1,640,850		32,900

Proposed rates increase cart and green fee revenue by \$42,850

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# MIAMI BEACH

OFFICE OF THE CITY MANAGER

## COMMITTEE MEMORANDUM

TO: Members of the Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: August 15, 2014

SUBJECT: **Renovation Alternatives for Muss Park**

The purpose of this Letter to Commission (LTC) is to provide the Mayor and Commission with information regarding the planned renovations for Muss Park. By way of background, the City offers afterschool and summer recreational programs for young children in grades K-3<sup>rd</sup> at the park. Currently, there are approximately 147 children enrolled in the Muss Park summer recreational camp. The park consists of a pavilion with bathrooms, a tot lot, parking and an open greenspace area. The park does not offer an indoor facility for program participants and therefore, during periods of severe inclement weather, alternative accommodations must be provided.

The FY 2013/14 Capital Budget included a renovation project for Muss Park. The approved project includes renovations to the existing pavilion by providing ADA upgrades for compliance, restrooms, electrical, flood mitigation and a new roof. The proposed scope also includes the installation of a vinyl curtain enclosure and portable air conditioning to the pavilion. Once completed, the enclosure will accommodate approximately 60 children when closed with the drop-downs. The amount allocated for this existing project is \$530,629, of which \$371,659 is available.

During the July 18, 2014 Finance and Citywide Projects Committee (FCWPC) meeting, Commissioner Steinberg raised concerns regarding the existing renovation project for Muss Park. In order to address the need for a long-term solution that provides weather protection for participants, the FCWPC requested to add an additional \$200,000 placeholder for the construction of an indoor facility at Muss Park from Pay-AS-You-Go Funds. This additional scope of work is to be contemplated during the FY 2014/15 Capital Budget process. Together with the \$200,000 set aside on July 18, would represent \$571,659 in available funding.

A discussion item was placed on the July 23, 2014 City Commission meeting by Commissioner Steinberg concerning the Muss Park renovation project whereby, the Administration was directed to provide the Mayor and Commission with alternatives to the existing project which would provide a long-term solution to better address the challenges of weather protection for the young children who attend programming at the park, while still maintaining the existing greenspace.

The Administration presented the City Commission with four (4) options to consider. Following the discussion, the Administration was directed to provide a Letter to Commission (LTC) summarizing the four (4) options presented. The City Commission requested for a follow-up discussion item be placed on the July 30, 2014 City Commission meeting agenda.

The following provides a summary of the four (4) options which were included in LTC #260-2014. The options provided below include estimates for soft costs and additional square footage in order to accommodate a kitchen area which, were not presented during the July 23, 2014 Commission meeting. In addition, the estimated figures have been further refined. However, it is important to note that the options provided below are strictly conceptual. Should the City Commission wish to proceed with one of the alternatives, the Administration would need to do their due diligence to fully assess the feasibility of the project for considerations such as Finished Floor Elevation (FFE), LEED, and parking and setback requirements.

#### **Option 1**

- Proceed with the existing scope to renovate the pavilion for ADA compliance, provide upgrades to the restrooms, electrical, accessibility and a new roof. However, amend the scope by eliminating the installation of the vinyl curtains and portable air conditioning unit.
- Construct a new facility of approximately 4000 square feet to include two ADA restrooms, a small office, reception area, kitchen area, storage space, 4 individual rooms and a mechanical room. This space would accommodate approximately 120 children.
- Estimated Construction Cost: \$1,255,000
- 35% for soft costs to include: CIP fees, bond/insurance, permits, design, contingency and other related costs = \$350,000
- Total Estimated Project Cost: \$1,605,000
- Additional funding needed net of \$371,659 available from project \$1,233,341

#### **Option 2**

- Demolish the existing pavilion \$50,000
- Construct a new facility of approximately 4000 square feet to include two ADA restrooms, a small office, reception area, kitchen area, storage space, 4 individual rooms, a mechanical room and an exterior overhang to accommodate an outdoor covered sitting area with benches. This space would accommodate approximately 120 children.
- Estimated Construction Cost: \$1,250,000
- 35% for soft costs to include: CIP fees, bond/insurance, permits, design, contingency and other related costs = \$437,000
- Total Estimated Project Cost: \$1,687,500
- Additional funding needed net of \$371,659 available from project \$1,315,841

#### **Option 3**

- Proceed with the existing renovation of the pavilion to include the installation of vinyl curtains and a portable air conditioning unit that could accommodate approximately 60 children.
- Construct a smaller, open architecture building of approximately 1600 square feet to include 1 ADA accessible unisex bathroom and a kitchen area. This building would accommodate approximately 60 children but would not include an office, reception area, kitchen space, storage space or any individual rooms.
- Estimated Construction Cost: \$602,000
- 35% for soft costs to include: CIP fees, bond/insurance, permits, design, contingency and other related costs \$112,000
- Total Estimated Project Cost: \$714,000
- Additional funding needed net of \$371,659 available from project \$342,341

#### **Option 4**

- Proceed with the existing scope to renovate the pavilion for ADA compliance, provide upgrades to the restrooms, electrical, accessibility and a new roof. However, amend the scope by eliminating the installation of the vinyl curtains and portable air conditioning unit..
- Construct a smaller, open architecture building of approximately 2800 square feet to include 1 ADA accessible unisex bathroom and a kitchen area. This building would accommodate approximately 120 children but would not include an office, reception area or any individual rooms.
- Estimated Construction Cost: \$815,000
- 35% for soft costs to include: CIP fees, bond/insurance, permits, design, contingency and other related costs = \$196,000
- Total Estimated Project Cost: \$1,011,000
- Additional funding needed net of \$371,659 available from project \$639,341

During the July 30, 2014 City Commission meeting, Commissioner Steinberg suggested for a fifth option to be contemplated by the City Commission. This option included the following:

#### **Option 5**

- Demolish the existing pavilion \$50,000
- Construct a new pavilion of approximately 4,000 square feet to accommodate approximately 120 children.
- The new pavilion would include 2 ADA accessible restrooms, office, reception area, storage, and mechanical room and would also include a permanent air conditioning system and folding or rolling panels in order to fully enclose the pavilion when needed.
- The pavilion would accommodate approximately 120 children.
- Estimated Construction Cost: \$1,050,000
- 35% for soft costs to include: CIP fees, bond/insurance, permits, design, contingency and other related costs = \$367,500
- Total Estimated Project Cost: \$1,417,500
- Additional funding needed net of \$371,659 available from project \$1,045,841

#### **Use of Mid-Beach Quality of Life Funds**

During the discussion of July 30, 2014, Commissioner Steinberg suggested the possibility of using resort tax dollars to help fund the project. The Resort Tax Fund is supported primarily by taxes levied on hotel, motel, rooming house and short term apartment room rents as well as on food and beverages sold at retail in any restaurant, as authorized by State Statute, and is used to fund tourism-eligible expenditures. A specific component of this Fund includes a 1% Quality of Life Fund. The Quality of Life Fund is used to support tourism-eligible capital projects in north, south and mid-beach which improve the quality of life of the community. In order to qualify for Quality of Life funding, the Muss Park project would need to ensure that a public benefit to the City's tourists is derived from the project. Commissioner Steinberg recommended for the City to partner with Miami Beach hotels in order to identify specialized programming aimed at attracting Miami Beach hotel guests.

Staff was directed to pursue Option 5 if Quality of Life Funds could be utilized to help fund the project. If the project could not utilize Quality of Life Funds, the City Commission directed the administration to pursue Option 4.

As of September 30, 2014, there were approximately \$4.897 million available in Mid-Beach Quality of Life Funds. The recommendations for capital funding at the July 18, 2014 FCWPC totaled \$3.964 million, including \$3 million in funding needed for the Mid Beach Recreational Corridor from 47<sup>th</sup> Street to \$64<sup>th</sup> Street. This leaves a balance available of \$1.214 million. In addition, it is anticipated that an additional \$1.2 million in Mid Beach Quality of Life Funds would be earned throughout the year.

The Administration believes that the implementation of specialized programming aimed at attracting the City's tourist population would meet the requirements for Quality of Life funding to help fund a renovation to Muss Park. Should the City Commission wish to proceed, the City could partner with the Miami Beach hotels in order to identify specialized programming aimed at attracting Miami Beach hotel guests.

### **Estimated Operating Program Costs**

Parks and Recreation staff suggests the following conceptual program aimed to attract both residents and tourists of Miami Beach. The Muss Park Kids Club would be a fun-filled drop in center designed for children 5–11 years of age. The program would be offered five (5) days per week from 10:00 – 1:00 pm, between September and May. Residents and tourists while knowing their children are in a safe and fun environment could then have an opportunity to explore our wonderful and vibrant City to shop, have lunch, relax at the beach or just enjoy some much needed adult time, while our experienced staff ensures that the children are entertained.

The Muss Park Kids Club would feature fun supervised activities which include games, sports, dance, board games, playground time, movie time and creative art projects. Our well trained staff would also provide drinks and snacks.

The estimated operational costs to fund the program annually are as follows:

- Staffing: 1 Supervisor (\$23,837) + 2 Recreation Leader I (\$31,653): \$55,490
- Games, arts and crafts and miscellaneous supplies: \$9,000
- Refreshments: \$8,000
- Total Estimated Annual Operating Cost: \$72,490

*\*Based on 20 children a day for 9 months*

*\*Does not account for participant fees*

Promoting a drop-in children's center at Muss Park could be seen as an excellent opportunity to enhance the experience for Miami Beach residents and visitors. Traveling families would be able to attain babysitting services in a safe, fun environment, which in turn would provide parents with the opportunity to experience all that Miami Beach has to offer. The Administration seeks guidance from the Finance and Citywide Projects Committee on whether to continue with the currently planned and funded renovation project or move forward with one of the alternatives provided above. Given the timing for completing the project, operating funds would not be needed until FY 2015/16

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# MIAMI BEACH

OFFICE OF THE CITY MANAGER

## COMMITTEE MEMORANDUM

TO: Members of the Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: August 29, 2014

SUBJECT: **Biscayne Point Entry Way Improvements**

The Biscayne Point residents have requested enhancements to the Biscayne Point Entry Way on Hawthorne Avenue. The types of improvements being requested are modifications that will complement the island and the nature of the City of Miami Beach. The requested modifications include revisions to the entrance median, new fencing, enhanced landscaping, modifications to existing pavers and sidewalks, guard house improvements and additional lighting. The estimated cost for all these improvements is \$376,398. There is \$200,000 available in the Biscayne Point Neighborhood project and \$30,000 is available from the Bridge Lights at 77<sup>th</sup> Street and Hawthorne Avenue project. The total available funding is \$230,000. The Public Works Department is prepared to assist with some of the requested modifications in order to reduce the required amount for these improvements to approximately \$315,000.

At the estimated project cost of \$315,000 and the current available funding of \$230,000; there is a funding shortfall of approximately \$85,000.

The Biscayne Point Residents are requesting to add \$85,000 to the FY14/15 budget for the Biscayne Point Neighborhood Improvements in order to be able to proceed with the Biscayne Point Entry Way Improvements.

JLM/JMT/DM

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**POTENTIAL CHANGES TO RECOMMENDED ENHANCEMENTS**

Friday, August 29, 2014

<b>Commission Changes to Recommended Enhancements - General Fund</b>			
ODPI	p. 1 of 6	Delete funding for Cultural Communication in the Workplace workshop	(42,000)
		Senior Enhancement Transportation Service (SETS): Revise to \$30,000 from	
Parks & Recreation	p. 2 of 6	\$35,000	(5,000)
Public Works	p. 2 of 6	Assistant Director Position: Replace with the Streets and Lighting Superintendent position from the Non-Recommended list.	(9,000)
<b>Total Changes to Recommended Enhancements</b>			<b>(56,000)</b>
Recommended Efficiencies			(60,000)
Unallocated Surplus			(32,000)
<b>Total Surplus Available</b>			<b>(148,000) *</b>

<b>Potential Changes to General Fund Enhancements</b>			
Surplus Available		(see calculation above)	(148,000) *
Risk Management	p. 4 of 6	Delete funding for additional Windstorm Insurance/Reduction to Risk deficit	(201,000)
Information Technology	p. 4 of 6	Delete funding for backup to out of region data center	(131,000)
Planning	p. 2 of 6	Delete funding for Massing Studies - fund during FY14	(80,000)
Emergency Management	p. 3 of 6	Delete funding for 9-1-1 records custodian; address process instead	(70,000)
			<b>(630,000) A</b>

<b>Recommended Enhancements Eligible for Resort Tax Funding</b>			
Code Enforcement	p. 1 of 6	More Proactive Code Compliance Environment	(270,000)
ODPI	p. 1 of 6	Cleanliness Index	(36,000)
Parks & Recreation	p. 2 of 6	Park Ranger program	(266,000)
Police	p. 2 of 6	Body Camera positions (50%)	(99,000)
Housing & Community Svcs	p. 2 of 6	Address Homelessness at Lummus Park	(118,000)
Emergency Mgmt/9-1-1	p. 3 of 6	Hurricane and Disaster Preparation Equipment	(101,000)
Citywide	p. 3 of 6	MB Botanical Garden	(15,000)
Additional Resort Tax Transfer to the General Fund			<b>(905,000) B</b>

Total impact from changes above	(1,535,000)	C=A+B
Existing impact from Debt Service millage rate decrease	(516,000)	
	<b>(2,051,000)</b>	

<b>Potential Additions to Recommended Enhancements from Commission</b>			
Building	Weithorn	Establish an unsafe structure panel	50,000
OBPI	Weithorn	Increase audit coverage by adding Internal Auditor Position	60,000
		A program for at-risk teens delivering produce to shut-ins in conjunction with	
Community Services	Tobin	community services	10,000
ODPI	Tobin	IB Program at Nautilus Middle School	94,000
			<b>214,000</b>

*Note: Funding could be addressed through additional Resort Tax transfer*

<b>Potential Changes to Non-General Fund Enhancements</b>			
Public Works-Stormwater	p. 5 of 6	Funding for Special Studies	(750,000)

Value of 1 Mill @ 95%	22,049,273	
Mills Equal	Dollars	Note
0.0100	220,493	
0.0200	440,985	
<b>0.0220</b>	<b>484,047</b>	
<b>0.0234</b>	<b>515,953</b>	Debt Service millage decrease
0.0454	1,000,000	
0.0500	1,102,464	
<b>0.0926</b>	<b>2,041,763</b>	<b>No tax increase to median property owner</b>
0.1000	2,204,927	
0.1111	2,450,000	Give back all of projected surplus
0.2000	4,409,855	
0.2079	4,584,044	Remainder of tax rate goal

Homesteaded Properties				
	FY 2013/14		FY 2014/15	
			with 1.5% CPI	
	Median	Average	Median	Average
<b>2013 Prelim. Taxable Value</b>	<b>\$ 132,371</b>	<b>\$ 317,086</b>	<b>\$ 134,357</b>	<b>\$ 321,842</b>
<b>City of Miami Beach</b>				
Operating	\$ 776	\$ 1,859	\$ 778	\$ 1,865
Voted Debt	33	80	31	74
<b>Total Miami Beach</b>	<b>\$ 809</b>	<b>\$ 1,939</b>	<b>\$ 809</b>	<b>\$ 1,939</b>
<b>\$ Change in Taxes</b>				
Operating			\$ 2	\$ 6
Voted Debt			(2)	(6)
<b>Total Miami Beach</b>			<b>\$ -</b>	<b>\$ -</b>

\* Source: Miami-Dade County Property Appraiser's - 2013-average-median-homestead-residential-values file

Operating	5.8634	5.7942	-1.2%	0.0692
Debt	<u>0.2529</u>	<u>0.2295</u>	<u>-9.3%</u>	<u>0.0234</u>
Total	6.1163	6.0237	-1.5%	0.0926
		0.0926		

# Summary of Changes to Proposed FY15 Capital Budget

## CHANGES MADE SINCE JULY 16<sup>th</sup> FINANCE COMMITTEE MEETING

### Renewal & Replacement Fund

- Added the Police Station HVAC Ductwork Cleaning (\$30,000); the North Shore Youth Center HVAC Ductwork Cleaning (\$30,000); and the Normandy Isle Park and Pool Exterior Waterproofing & Painting (\$30,000).
- Removed the Bass Museum Heat Pump replacement and included it in the sixth amendment to the FY14 Capital budget to be funded from City Center RDA funds. (-\$180,000).
- Removed the Historic City Hall Court Room Carpet Replacement, as it is not included in the lease agreement as the City's responsibility. (-\$40,000).

### Pay As You Go (PAYGO)

- Transferred the Byron Carlyle Renovation project to the North Beach QOL Fund (-\$145,000).
- Transferred the Allison Park Redesign project to the North Beach QOL Fund (-\$235,000).
- Pro-rated the costs of the Standardized Park Bench, Tables; and Trash Receptacle Replacements between PAYGO, SB-QOL, MB-QOL, and NB-QOL.
- Added \$200,000 for the Sunset I & II Entrance project.
- Added \$200,000 for the Muss Park project.
- Delete \$145,000 of funding in PAYGO for North Beach City Hall Annex

### South Pointe Capital

- Added \$50,000 to the South Pointe Drive Median Planters project.

### PTP-Half Cent Transit Surtax – County

- Added a project for Sidewalk Assessment Survey (\$75,000) offset by a reduction of the Sidewalk Repairs Citywide from \$300,000 to \$225,000

### Local Option Gas Tax Fund

- Changed the FY15 project name from "*Traffic Circle at 47<sup>th</sup> St & Meridian*" to "*Traffic Circle-22nd Street and Park Avenue (Collins Park Circle)*".

### Quality of Life – North Beach

- Added \$400,000 for Domino Park in North Beach

### Capital Projects Not Financed by Bonds

- Added a project for Second Floor Renovation-Building Department (\$450,000). Funds will be transferred from the Building Training & Tech Fund to cover the cost of this project.
- Add \$315,000 to the South Pointe Park Remediation project. Funds recently received from the County for reimbursement for a broken pipe in the park.

# **Summary of Changes to Proposed FY15 Capital Budget**

## **PENDING ITEMS**

- Muss Park – item on the agenda
- Biscayne Pointe Isle Entry Way (\$85,000) – item on the agenda
- HD Cameras on the Causeways (\$TBD) – Potential funding source: Intelligent Transportation System project and/or Transportation Concurrency funds
- Ocean Drive (\$2.7 million to \$3.7 million)

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# MIAMIBEACH

OFFICE OF THE CITY MANAGER

## COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee  
FROM: Jimmy L. Morales, City Manager  
DATE: August 15, 2014  
SUBJECT: **PARKING - STRATEGIC/CONGESTION PRICING**



### BACKGROUND

On May 21, 2014, and July 23, 2014, the Mayor and Commission approved a referral item to the Finance and Citywide Projects Committee (FCWPC) regarding strategic pricing for parking, a.k.a. "congestion pricing" or "demand based pricing" requested by the Administration and Commissioner Tobin, respectively.

The Mayor and Commission have identified mobility, transportation, and traffic congestion as priorities for improved resident quality of life. One initiative currently underway is to reduce traffic congestion through the regulation of freight/commercial loading activities and reduce the obstruction of traffic on major thoroughfares. This is just one piece of the traffic congestion puzzle.

Several major U.S. cities, including, San Francisco and Los Angeles, California; and Seattle, Washington have implemented strategic parking pricing to achieve urban planning goals. I have attached an article entitled "The Parking Price is Right" published in the May 2014 issue of Public Management. This article provides great insight of proven progressive parking pricing strategies that have resulted in increase parking availability, reduced traffic congestion, and although it may seem counterintuitive, increased economic growth for businesses.

It is important to note strategic parking has been successful in communities with alternatives such as easy and convenient mass transit systems. Strategic pricing for parking is more readily accepted when robust transit options are present. At this point in time, the City does not have either efficient transit connectivity with the mainland or sufficient capacity at its garages which could be used in combination with a local circulator for park and ride options. Although the results of the Walker Parking Demand Analysis will be discussed at upcoming FCWPC meeting, most of the City's garages are near or at capacity at peak hours which vary by day and by facility.

As you may recall, the Administration is pursuing the TIGER grant in order to fund a number of mobility and transportation initiatives. This initiative may very well be a game changer and a key component is "smart parking". In the simplest of terms, smart parking is the use of state-of-the-art technology to monitor the use of parking spaces in real time in order to manage parking "supply and demand" and apply strategic pricing to encourage use where demand is low through pricing and achieve the benefits mentioned above.

In the event that the City is not successful in attaining the Tiger grant, there are a number of alternatives, although more limited, the City will pursue. These include: Intelligent

Transportation Systems (ITS) and Parking Management Systems (PMS) providing valuable data for corridors that will assist in the City's Active Arterial Management effort through enhanced messaging to drivers accessing the City as well as those searching for parking.

## **ANALYSIS**

Increasing parking inventory through land acquisitions, new construction, and/or joint venture partnerships are all strategies we are actively pursuing. However, equally important is managing existing parking inventory which may be accomplished through strategic pricing and regulations. The following strategies are submitted for your consideration:

- Regulation of parking space usage through maximum time limits. This promotes parking space turnover resulting in each parking space serving multiple users throughout the day. The number of users for each parking space is contingent upon the frequency of the desired turnover which should be consistent with the adjacent types of land uses. A more passive approach may be an escalating parking rate structure to discourage longer term parking sessions.
- Promote parking availability through a "demand based parking fee structure". A widely accepted industry standard for optimum parking supply usage is 85%. For illustration purposes, for every ten parking spaces, one to two of these spaces should consistently be available. This provides users with a reasonable confidence level of finding a parking space. Clearly, usage exceeding an 85% threshold diminishes parking opportunities as well as user confidence of reasonably finding a parking space, leading to the chronic "circling the block" in search of the illusive parking space and adding to traffic congestion. Other cities, such as the ones referenced above, have implemented demand based pricing with success. As an example, for an on-street application, parking rates on a heavily utilized corridor should be at a level that maintains an 85% threshold. The City's pursuit of the Tiger grant will allow for the aforementioned PMS technology to monitor parking space usage in real time and adjust parking rates accordingly to maintain the targeted availability rate of 85%. Concurrently, underutilized parking spaces should also be monitored for rate adjustments to encourage usage. Very simply, this is the application of the "supply and demand" model and commonly referred to in the industry as "smart parking". Those parking spaces in highest demand should reflect the highest fees and those in lowest demand should reflect lower fees to encourage their use. The key is adjusting parking rates to a level that maintains a usage rate of approximately 85% which in turn promotes parking availability as well as user confidence levels.

On May 30, 2014, the Neighborhoods and Community Affairs Committee (NCAC) discussed Item No. 6, entitled, "Policies for use of beachfront parking lots". There were various issues discussed, including congestion and a lack of parking availability. Specifically, Municipal Parking Lot No. P71, located at 46<sup>th</sup> Street and Collins Avenue, was referenced as one that consistently exceeds the 85<sup>th</sup> percentile usage level. As a result, the NCAC approved a recommendation to discontinue the municipal monthly parking permit program at this facility and relocate existing monthly permit holders. Subsequently, on July 23, 2014, the Mayor and Commission approved a resolution accepting the recommendations of the NCAC. If the relocation of the monthly permit holders is sufficiently effective in creating parking availability, a second phase pricing strategy based on the demand pricing model could be implemented.

### **Walker Parking Demand Analysis**

As you may recall, Walker Parking Consultant, Inc. were engaged to perform a parking demand analysis for the South Beach and North Beach areas of the City. The analysis will provide a "snapshot" of parking utilization derived from data collection on a weekday and weekend at varying intervals of the day. Future parking demand, including deficit and surplus parking, is projected out ten years through the application of varying economic growth factors. A menu of strategic options will be included for consideration.

On July 23, 2014, the Mayor and Commission approved a referral to the FCWPC regarding the results of the Walker Parking Analysis. This analysis may serve to confirm or dismiss anecdotal impressions of parking availability and with other empirical data may serve to identify areas to experiment with strategic pricing.

### **CONCLUSION**

The Administration is seeking guidance and direction from the Finance and Citywide Projects Committee with regard to strategic pricing for municipal parking. Critical to implementation of a demand based pricing strategy will be a combination of additional parking structures and improved transit connectivity. If there is an appetite to pursue this pricing strategy for parking, the logical progression is to discuss the results of the Walker Parking Demand Analysis and identify potential pilot areas. An available option is to pilot the demand based pricing strategy at Municipal Parking Lot No. P71, located at 46<sup>th</sup> Street and Collins Avenue.

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# MIAMI BEACH

## COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: August 15, 2014

SUBJECT: **DISCUSSION REGARDING WATER/SEWER RATES**

### **BACKGROUND**

The Miami-Dade Water and Sewer Department (WASD) has proposed water and sewer rate increases to all wholesale customers of \$.0674 for water and \$.1077 for sewer per 1000 gallons respectively effective October 1, 2014. In order to ensure the financial viability of the water and sewer enterprise funds, in the past, the City has passed through County rate increases to its customers. During the last fiscal year, WASD did not increase the water rate but did increase the sewer rate \$.2995 per 1,000 gallons which was passed on to the City's rate payers.

### **ANALYSIS**

The City's utility rates for water and sanitary sewer services are structured to collect the necessary revenues to meet annual operating and maintenance costs of the water and sanitary sewer infrastructure, to cover debt service for water and sewer bonds to maintain adequate operating fund reserves, and, to pay Miami-Dade County for wholesale water purchased, the treatment of the City's sewage and other fees. Increasing the sanitary sewer rate in the amount levied by the County, and maintaining the existing water rate to pay all other costs listed above will keep the City water and sewer funds balanced.

In general, the rates for water supply and sanitary sewer services consist of:

- Pass-through of the wholesale rate the City pays to Miami-Dade County for the purchase of potable water and treatment of sewage;
- Debt service for the Water and Sewer Revenue Bonds;
- Operating and maintenance costs for the water and sewer utility;
- 7.5% fee of previous year total revenue paid to the Miami-Dade County Environmental Resource Management Department (DERM).

### **FY2014/15 Miami Dade County Wholesale Water and Sewer Rates**

The Miami-Dade Water and Sewer Department has informed all wholesale customers that the proposed water rate for FY2014/15 would increase by \$.0674 to \$1.7816 per 1000 gallons. All operational expenditure increases related to proposed Cost of Living Adjustment to salaries, increased costs of health insurance and pension, and increases in other operating costs can be absorbed without fee increases.

WASD has also notified wholesale customers that their proposed sewer rate will be \$2.56 , an increase of \$0.1077 above the current rate of \$2.4523 per 1000 gallons. The cost of the proposed FY2013/14 sewer rate increase to Miami Beach is approximately \$887,000. The proposed wholesale water and sewer rates are subject to approval by the Board of County Commissioners at their Public Budget Hearings, scheduled for September 2014.

### **Water Revenue Review and Recommendation**

All operational expenditure increases related to the proposed cost of living adjustment to salaries, increased costs of health insurance and pension, and increases in other operating costs can be absorbed without the requirement to increase the water rate. However, the increase proposed by the County should be passed through to the water customers. This would result in the recommendation to pass through the Miami-Dade County increase of \$0.07 per thousand gallons for water rates.

### **Sewer Revenue Review and Recommendation**

Millian, Swain & Associates, Inc. (MSA) were retained to assist in evaluating the level of revenues produced by current sewer rates and the potential need for rate adjustments. Their findings include the following.

1. The sewer utility has been operating at a deficit since FY13.
2. Increase in WASD Treated Sewer fees and scheduled increase in debt service payment for existing bonds are the largest contributors to a rise in the projected FY15 deficit of \$6.44 million.
3. The current rate of \$6.34 per thousand gallons is insufficient to cover the cost of providing sewer service. Based on the proposed FY15 budget provided by the City, rates would have to be increased by 19.15% to \$7.55 per thousand gallons in FY15.
4. Additional rate increases will likely be needed to cover debt service requirement of a proposed \$20 million debt issuance in FY15 and to cover further increases in costs (due to inflation, etc.) beyond FY15.
5. MSA recommends that a detailed cost of service study be undertaken for the City's sewer utility.
6. Fees charged to Satellite Cities to transport wastewater to WASD appear to be insufficient to cover the cost of providing this service. As part of the comprehensive cost of study, MSA also recommends performing a detailed cost allocation study to address the proper charges to the Satellite Cities.
7. During the detailed cost of service study the City, with the help of MSA, should investigate various ratemaking strategies to ensure the financial stability of the sewer system. These strategies may include the following:
  - Rate increase to account for multiple years of anticipated cost increases
  - An annual pass-through mechanism for WASD fees
  - An annual inflation adjustment

A significant portion of the deficit over the past few years is a result of both a rate increase of \$0.11 per 1000 gallons that was implemented by Miami-Dade County in FY10/11 and not passed through to the end users and minor operational cost increases that were covered by the rate stabilization fund. The purpose of this fund is to cover anomalies in the billing or revenues year over year and to accommodate some of these costs without the need for rate increases. Unfortunately this fund has been depleted due to the reliance on this to cover inflation and County rate increases. The suggestion to codify the need to pass through County rate increases is a good suggestion as it would then take an act of Commission to subsidize water and sewer rates for the end users rather than the current condition where no action would keep the rates from being passed through. Also the Administration feels that incorporating an inflation adjustment for operating expenses would serve to keep the rate stabilization fund healthy and user fees consistent with the cost of providing service.

**Conclusion**

Based on the above, the Administration recommends that the City Commission approve a rate increase for water customers of \$0.07 and a rate increase for sewer customers of \$1.21 effective October 1, 2014. For the average 11,000 gallons per month customer, the combined water and sewer rates result in a monthly increase of \$14.08 in FY2014/15. For the minimum usage customer (5,000 gallons or less per month), the combined monthly impact would be a total of \$6.40.

Fee (per thousand gallons)	FY 2013/14 Fee	Proposed FY15 M-D County Incr.	Prop. FY 2014/15 Fee	Difference From FY 2013/14
Water	\$4.36	\$0.07	\$4.43	\$0.07
Sewer	\$6.34	\$0.11	\$7.55	\$1.21
Combined Fee	\$10.70		\$11.98	\$1.28
Monthly Cost to 11,000 gallon Customer	\$117.70	\$0.00	\$131.78	\$14.08
Monthly Cost to 5,000 gallon Customer	\$53.50	\$0.00	\$59.90	\$6.40

In addition, the Administration recommends moving forward with the recommended cost of service study and implement the suggested modifications to the sewer fee ordinance including allocation of appropriate costs to the Satellite Cities and implement the recommendations to address the financial stability of the utility including annual pass through mechanisms for Miami-Dade WASD rate increases and annual inflation adjustments.

 MT/ETC/JJF/MA

# City of Miami Beach

Public Works Department

Sewer Revenue Review and Recommendation

Prepared by:

Milian, Swain & Associates, Inc.  
2025 South West 32 Avenue, Suite 110  
Miami, Florida 33145  
Telephone: (305) 441-0123  
[www.milianswain.com](http://www.milianswain.com)

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## Disclaimer

This report has been prepared by Milian, Swain & Associates, Inc. (MSA) for the sole and exclusive use of The City of Miami Beach (the City) for the purpose of assisting the City in evaluating the level of revenues produced by current sewer rates and the need for rate adjustment; and shall not be (a) used for any other purpose, or (b) provided to, relied upon or used by any third party.

This report contains opinions and conclusions made by MSA, using its professional judgment and reasonable care. Use of or reliance upon this report by the City is subject to the following conditions:

- a. The report being read in the context of and subject to the proposal submitted by MSA to the City on May 30, 2014 and accepted by the City on June 9, 2014 (P.O. 024862), including any methodologies, procedure, techniques, assumptions and other relevant terms or conditions
- b. The report being read as a whole, with sections or parts hereof read or relied upon in context;
- c. The report is based on information made available to MSA by the City or by certain third parties; and unless stated otherwise, MSA has not verified the accuracy, completeness or validity of such information, makes no representation regarding its accuracy and hereby disclaims any liability in connection therewith;
- d. Any information or deliverable provided by MSA is provided solely for the specific purpose for which the Services were engaged. In no case will any such information or deliverable be used in connection with any sale of securities or other financial transactions. Nothing in this agreement provides either party with any rights to the proprietary information of the other party and each party shall maintain the confidentiality of all such information.

## Executive Summary

Existing sewer rates charged by The City of Miami Beach are insufficient to recover the cost of providing sewer service. Based on the most recently available projections for FY14, the sewer utility will generate a \$2.7 million deficit, even though the FY14 budget reflects an increase in Sewer User Fee from \$6.04 to \$6.34 per thousand gallons, which was implemented in October 2013.

Significant increases in the cost to treat the City's wastewater by Miami-Dade Water and Sewer Department (WASD) are contributing to a projected FY15 deficit of \$6.4 million. Based on the proposed FY15 budget provided to MSA, we estimate that current user fees would have to be increases approximately 19.15% to \$7.55 per thousand gallons.

During the course of our review we have identified the main contributors driving the need for the rate increase as follows:

- Increase in the fees charged by Miami Dade Water and Sewer Department to treat the City's wastewater
- Increase in scheduled debt service for outstanding debt
- Increase in budget items that are driven by either increased revenues (such as DERM Fees and 5% revenue allowance) or increased operating costs (such as a 5% contingency on the increase in WASD)

Our analysis is not a complete revenue requirement analysis of the operation of the sewer system. We recommend that a detailed cost of service study and calculation of the required revenues for the system be performed.

Based on our review we can offer the following comments:

- There appears to be an under-allocation of costs to the Satellite Cities for transporting wastewater to WASD. Although the Satellite Cities account for approximately 13% of the billed volume, they contribute around 5% of the cost of service. A detailed cost allocation study in conjunction with the cost of service analysis should be performed.
- There is a significant increase in the FY15 capital expenditure request (when compared to FY14 CIP). The City anticipates issuing an additional \$20 million in bonds to fund this program. The additional debt service will further put pressure on the sewer utility rates.
- We estimated the required rates from FY16 through FY20 by simply applying escalation to various costs. This simple analysis indicates that

even assuming that the WASD Treated Sewer rate remains constant; the utility will need additional rate increases in the future.

## **Introduction and Background**

The City of Miami Beach (the City) provides potable water and sewer service to the approximate 91,000 residents in the city<sup>1</sup>.

The sewer system, as of FY2013, consists of 152 miles of sanitary gravity sewer pipes, 21 miles of force main pipes, 3,293 manholes and 23 wastewaters pump stations<sup>2</sup>. Over 8.5 billion gallons of wastewater is collected by the City and sent for treatment to the Miami-Dade Water and Sewer Department (WASD)<sup>3</sup>.

Residents of Miami Beach generate over 5.5 billion gallons of wastewater annually<sup>4</sup>. The City receives another 1.0 billion gallons of wastewater from the municipalities of Bal Harbour, Surfside, Bay Harbor Islands, and North Bay Village (collectively known as the Satellite Cities). The City transports the wastewater from the Satellite Cities to WASD.

The City's utility rates for sanitary sewer service are structured to collect the necessary revenues to meet annual operating and maintenance costs of the sanitary sewer infrastructure, to cover debt service for its corresponding portion of the water and sewer bonds, to maintain adequate operating fund reserves, to pay Miami-Dade County for the treatment of the City's sewage and other fees.

The City recognizes that its sewer operations may have a revenue shortfall in the Fiscal Year (FY) 2013-2014 and subsequently in FY 2014-2015 without a rate modification. Milian, Swain & Associates, Inc. (MSA) was engaged by the City to review readily available financial information to determine the potential level of the shortfall, and to develop the percentage increase in existing sewer rates needed to compensated for the shortfall, if any.

In this report we summarize our analysis and make recommendations based on our findings.

## Scope of Milian, Swain & Associates Study

MSA obtained and compiled readily available relevant financial and operational information required to determine the current revenue level and to estimate the shortfall in revenues, if any. MSA interacted with the City staff through email communication and telephone conversations to gain the needed information and understanding of the information provided. MSA did not perform an independent audit nor in-depth analysis to verify the accuracy of the information provided by the City.

The annual revenue requirement for wastewater services was estimated for FY14 and FY15. Actual results for FY13 were also reviewed together with an analysis of historic trends for various, but not all, revenue and expenses since FY10. The City's projected growth, capital improvement plan, and projected annual debt service obligations for the FY 2014-2015 were provided by the City and incorporated in our analysis. We tested whether or not current fee levels are adequately covering the required capital and operations and maintenance costs incurred in providing wastewater services, while meeting debt service requirements. Finally, based on assumptions provided by the City, we projected the revenue requirements beyond FY15.

Following is a list of the individual tasks that we have completed at this time:

### Task 1 - Project Initiation and Data Collection

MSA began the sewer rate review by providing the City with a data request list. The list included, operational and financial, data for the wastewater systems as well as broader financial planning and policy information. Information provided included the following:

- The Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2013
- FY 2013/14 Adopted Work-plan and Operating Budget
- 2013/14 – 2013/18 Capital Improvement Plan & FY 2013/14 Capital Budget
- Preliminary budget for FY2015
- Revised FY2015 preliminary budget to reflect proposed WASD rates
- Financial forecast of sewer operations through FY 20 provided by the City

- WASD presentations for the FY2013 thru-up adjustment prepared by Black & Veatch dated May 15, 2014
- WASD presentation for the proposed FY2015 Wholesale sewer rates dated June 19, 2014
- Two Commission Memorandum for rate increases for FY10 and FY13
- City of Miami Beach website
- Other various requests via email with the City

### **Task 2 - Review of Existing Data and Determine Revenue Requirements**

MSA reviewed the documents and input provided by the City. We also discussed with staff other major assumptions that were considered in the review, including fiscal policies that influence the projected financial results, such as debt coverage ratios, adjustment to revenues, contingency provisions, etc. Projected growth in customers and usage for both the water and wastewater systems were discussed with the City. Our projected revenue requirement includes provisions for:

- Operation and maintenance costs as budgeted by the City
- Administrative costs charged by the City to the sewer system
- Funded renewal and replacement costs
- Debt service for the outstanding bonds that is allocated to the sewer operation
- Targeted debt service coverage ratio of 120% as discussed with the City
- Projected sales volume and sewer treatment volume sent to WASD as provided by the City
- *Other financial commitments*

Based on this information we estimated the revenue requirement for FY15.

**Task 3 – Estimate Revenue Needs**

We compared the projected revenues under the current rates with the revenue requirements under the capital and operating forecast. The need for, magnitude of, and timing of any rate revenue adjustments needed to cover the projected costs was estimated.

**Task 4 - Prepare Draft and Final Reports**

We prepared this report and discussed it with team members of the Public Works Department of the City<sup>5</sup>.

**Task 5 – City Commission Meeting**

We are prepared to participate in the City Commission Meeting to answer any questions regarding our analysis.

**Analysis of Current Operations****Sewer User Fees (Tariff)**

Current sewer user fees for sewer service became effective as of October 1, 2013. The City charges \$6.34 per 1,000 gallon of water billed. Prior to October 1, 2013 the user fee was \$6.04 per 1,000 gallons. The new rate represented an increase of nearly 5% and was intended to cover an increase in WASD Sewer treatment fee of \$0.2995 per thousand gallons<sup>6</sup>.

The City is currently negotiating large user agreements with the Satellite Cities for the transmission of wastewater to the WASD. We understand that the large user current billing practice provides for essentially a pass-through of the Sewer Treatment Fees charged by WASD to the Satellite Cities plus a surcharge to cover the cost of transmitting the wastewater by the City. For FY14 the City charged an average rate of \$2.60 per thousand gallons<sup>7</sup>. This charge is \$0.16 per thousand gallons higher than the WASD average rate of \$2.44.

**Prior Year Financial Results**

Table 1 below shows the historic financial results for the sewer operations from FY10 through FY13. Taking into account the revenue stabilization fund, the sewer operations have generated a surplus through FY12. Significant increases

in WASD sewer treatment costs and debt service requirements contributed to the utility operating in a deficit in FY13.

In the following section we discuss the major components of cost for the utility and analyze the cost trend over time.

Sewer Operations	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Most Recent FY14 Estimate	Proposed FY15
Sewer User Fees	32,658,809	32,031,582	32,822,621	32,225,741	34,017,000	34,618,000
less 5% Allowance					(1,650,000)	(1,731,000)
WASD pass-thru					-	-
Sewer Connection Fees	43,254	33,100	28,000	31,500	30,000	30,000
Sewer Fees-Cities	2,644,902	2,733,066	1,791,371	2,905,532	1,978,235	2,213,000
Interest	440,532	358,880	179,453	144,011	98,000	171,000
Penalties	393,522	427,233	313,177	169,151	150,000	150,000
Miscellaneous Fees	133,754	81,948	143,849	32,175	100,000	30,000
Retained Earnings-Capital	-	-	2,134	-	558,000	728,000
<b>Sub-Total Revenues</b>	<b>36,314,773</b>	<b>35,665,808</b>	<b>35,280,604</b>	<b>35,508,109</b>	<b>35,281,235</b>	<b>36,209,000</b>
Rate Stabilization Fund	-	6,040,412	-	-	2,754,765	-
<b>Total Revenues</b>	<b>36,314,773</b>	<b>41,706,220</b>	<b>35,280,604</b>	<b>35,508,109</b>	<b>38,036,000</b>	<b>36,209,000</b>
<b>Expenses:</b>						
Salaries, OT & Payroll Taxes	1,703,722	1,818,250	1,636,834	1,417,665	1,750,000	1,917,000
401k and Retirement Contribution & Allowances	671,468	400,460	483,935	575,244	707,000	660,000
Health Insurance	102,224	131,794	150,598	110,071	150,000	163,500
OPEB - Contribution	111,014	187,235	160,202	45,051	227,000	227,000
Other Employee Related	18,064	26,650	30,864	35,061	41,000	39,000
WASD Sewer Treatment	12,940,714	14,385,177	13,725,582	17,605,676	20,114,000	20,996,000
WASD True-Up & Future True-Up	(1,023,675)	1,542,297	1,201,806	1,950,990	(1,919,000)	(645,000)
WASD Pass-Through	3,092,889	-	-	-	-	-
Utilities (Electricity, Water, Telephone, Etc.)	439,870	457,222	583,958	551,100	552,000	555,000
Other Operating Expenses	503,893	997,071	873,668	437,478	673,000	527,000
Repairs & Maintenance	302,627	1,083,974	841,853	391,083	580,000	682,000
Internal service Charges	1,717,293	2,077,377	2,198,011	2,098,462	1,256,000	1,256,000
OPEB Paygo	-	-	-	-	866,000	866,000
Equipment Loan (Other Operating)	-	3,460	57,624	74,495	74,000	73,000
Administration Fees	1,214,316	1,766,510	1,464,554	1,641,000	1,698,000	1,698,000
Derm Fee (7.5% of Prior Year Revenues)	2,287,213	2,415,852	2,402,369	2,461,697	2,417,000	2,552,000
Operating Contingencies 5%	-	-	-	-	933,000	1,319,000
Funded Renewal & Replacement	1,983,144	2,138,775	2,062,606	2,186,418	2,063,000	2,063,000
Capital	271,277	258,482	161,136	231,474	558,000	728,000
Reserve-Future Capital Projects	1,947,454	-	-	-	-	-
<b>Total Expenses</b>	<b>28,283,507</b>	<b>29,690,586</b>	<b>28,035,600</b>	<b>31,812,965</b>	<b>32,740,000</b>	<b>35,676,500</b>
Debt Service	5,316,904	5,503,620	5,702,944	6,163,096	5,296,000	6,403,000
<b>Total Costs</b>	<b>33,600,411</b>	<b>35,194,206</b>	<b>33,738,544</b>	<b>37,976,061</b>	<b>38,036,000</b>	<b>42,079,500</b>
<b>Surplus / (Deficit)</b>	<b>2,714,362</b>	<b>6,512,014</b>	<b>1,542,060</b>	<b>(2,467,952)</b>	<b>-</b>	<b>(5,870,500)</b>
Rate Stabilization Fund	6,040,412	2,549,467	-	-	-	-
<b>Total Costs + Rate Stabilization Fund</b>	<b>39,640,823</b>	<b>37,743,673</b>	<b>33,738,544</b>	<b>37,976,061</b>	<b>38,036,000</b>	<b>42,079,500</b>
<b>Surplus / (Deficit)</b>	<b>(3,326,050)</b>	<b>3,962,547</b>	<b>1,542,060</b>	<b>(2,467,952)</b>	<b>-</b>	<b>(5,870,500)</b>

Table 1

## Budgets (FY14 & FY15)

The City provided the approved budget for FY14 and the most recently available projection for FY14 prepared by the Public Works Department and the Office of Budget and Performance Improvement (OBPI). The City also provided the proposed budget for FY15.

On June 19, 2014, WASD presented the proposed Sewer Treatment rate for FY15. The newly proposed WASD Sewer Treatment rate of \$2.56 per thousand gallons was incorporated in the proposed FY15 budget.

After discussion with the City, it was determined that the best information available for FY14 is the OBPI 3<sup>rd</sup> quarter estimates (our test year). A summary of the FY14 and FY15 budgets are also presented above in Table 1. The table shows the actual FY13 results for comparison purposes.

Table 1 projects that for FY14 the utility will generate a deficit of \$2.7 million. Application of the rate stabilization fund of \$2.7 million is anticipated to eliminate the deficit.

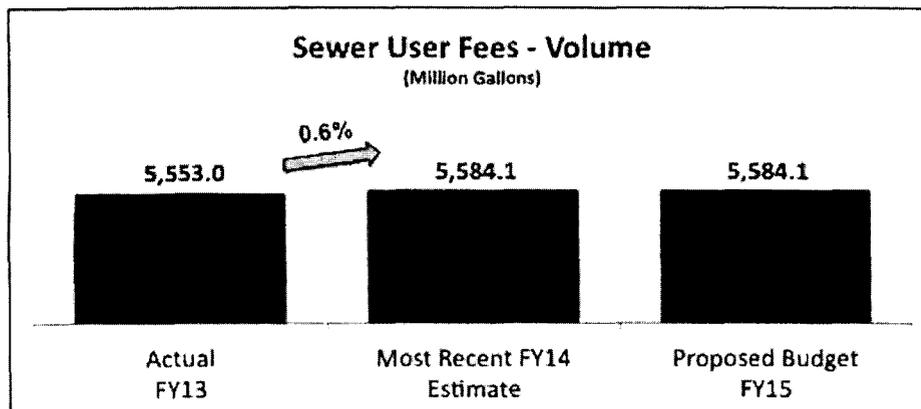
For FY15 the budget expects a deficit of \$5.9 million driven primarily by higher operating costs, a lower WASD True-up credit and an increase in scheduled debt service. The proposed budget for FY15 incorporates a Sewer User Fee adjustment of \$0.11 to cover the proposed WASD Sewer Treatment rate increase.

Below we further analyze the main drivers of revenue and cost.

**Analysis of Sewer User Fees (Revenues)**

Revenue from the provision of sewer service in the City is estimated by multiplying the user fee (tariff) by the customer usage (volume) less certain adjustments.

The actual volume for FY13 was 5,552,977,900 gallons<sup>8</sup> (see Graph 1 below). The anticipated volume in FY14 and beyond is estimated to be 5,584,100,420 gallons<sup>9</sup>, a 0.6% growth from FY13.



Graph 1

The rate in effect for FY13 was \$6.04 per thousand gallons. For FY14 the rate was increased to \$6.34 per thousand gallons as discussed above. Table 2 below shows the calculation of revenues. Please note that the revenue computed in Table 2 shows the budgeted \$0.11 increase in sewer user fees to cover the WASD increase and the FY15 revenues excluding this increase. Below is the discussion of the calculation of the rate.

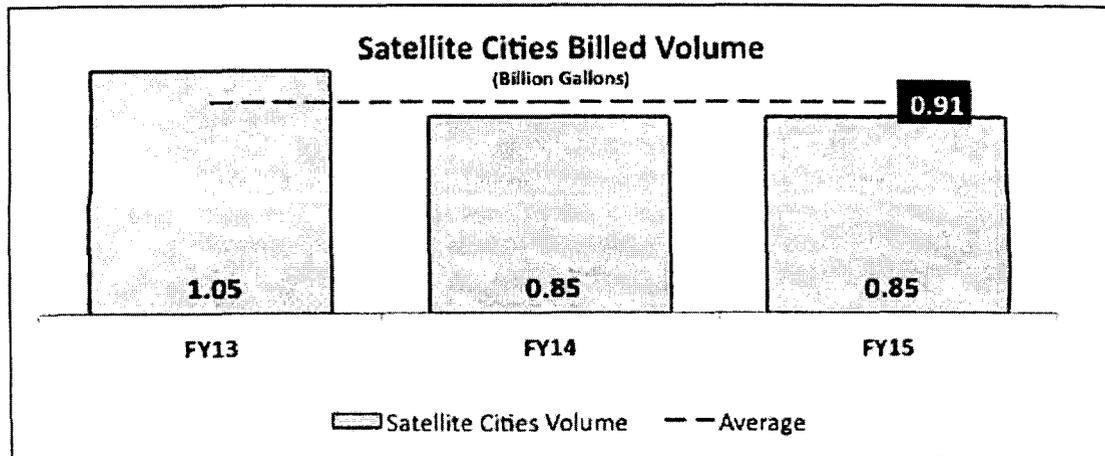
Sewer User Fee Revenue Calculation	Actual FY13	Most Recent FY14 Estimate	Proposed FY15	FY15 Excluding \$0.11 Increase
Volume (Million Gallons)	5,553.0	5,584.1	5,584.1	5,584.1
User Fee per thousand gallons	6.04	6.34	\$ 6.45	\$ 6.34
Gross Annual Revenues	33,539,987	35,403,197	36,004,604	35,403,197
Less Specific Adjustments	(1,314,246)	(1,385,655)	(1,385,655)	(1,385,655)
Actual and Projected Revenues	32,225,741	34,017,542	34,618,949	34,017,542
Rounded	32,225,741	34,017,000	34,618,000	34,017,000

Table 2

The specific adjustment includes sewer credits, sewer adjustments, accruals and other miscellaneous items. For FY13 the specific adjustment was \$1.3 million and represented 3.9% of the computed revenues. The anticipated revenue adjustment for FY 14 & 15 is \$1.4 million (3.9% of the projected computed revenues).

In the budget, The City also provides for an allowance of 5% of the Sewer User Fee for bad debt. MSA inquired about the potential duplication between the specific adjustments and the 5% allowance. The City does not feel this is duplication since they provide for different items.

**Analysis of Sewer Fees – Cities (Revenues)**



Graph 2

Billed volume from the Satellite Cities is projected to decline in FY14 but remain constant in FY15 (see Graph 2). Table 3 below shows the calculation of budgeted revenues for FY14 and FY15. The projected increase in WASD Sewer Treatment rate is a pass-through to the Satellite Cities, which is partially mitigating the lower projected volume. A revenue adjustment of \$82,013 versus \$227,046 is contributing to an increase in the Satellite Cities FY15 revenue to \$2.2 million.

Calculation of Satellite Cities Revenues	Most Recent FY14 Estimate	Proposed Budget FY15
Projected WASD Sewer Treatment Rate	2.4416	2.5487
Margin Charged by the City	0.161	0.161
Total Rate Charged to the Satellite Cities	2.6026	2.7096
Billed Volume to Satellite Cities	847,321.54	847,321.54
Gross Revenues From Satellite Cities	2,205,281	2,295,874
Less Adjustments to Revenue	(227,046)	(82,013)
Net Revenue in the Budget	<b>1,978,235</b>	<b>2,213,861</b>
Contribution to Fixed Costs (Margin x Volume)	136,421	136,332

Table 3

Table 3 also shows the contribution to fixed costs of the City from the Satellite Cities. The City charges the Satellite Cities a surcharge of \$0.16 per thousand gallons of wastewater it transport to WASD, resulting in a very modest \$136,000 contribution to the City's fixed cost. Table 4 below shows that the Satellite Cities support approximately 5.0% of the operating costs<sup>10</sup>, debt service and depreciation of the sewer system. This contribution seems low since the volume of wastewater from the Satellite Cities is approximately 13%. A proper cost allocation analysis should be performed to evaluate the proper charge to the Satellite Cities.

Analysis of Satellite Contribution to Cost	Most Recent FY14 Estimate	Proposed Budget FY15
Current Expenses	28,421,000	31,186,500
Debt Service	5,296,000	6,403,000
Administration Fees	1,698,000	1,698,000
Depreciation (Funded Renewal & Replacement)	2,063,000	2,063,000
<b>Total Cost (Excl. Administration)</b>	<b>37,478,000</b>	<b>41,350,500</b>
Total Billed Volume (City & Satellite Cities)	6,431,422	6,431,422
<b>Percent from Satellite Cities</b>	<b>13.2%</b>	<b>13.2%</b>
Projected Revenues from Satellite Cities	1,978,235	2,213,861
<b>Satellite Current Contribution</b>	<b>5.28%</b>	<b>5.35%</b>

Table 4

We note that the City bills 6.4 billion gallons of wastewater to its customers and Satellite Cities, however WAsD charges the City to treat 8.2 billion gallons. The Satellite Cities' volume should somehow incorporate this differential.

#### Analysis of Revenues to Cover WAsD Announced Rate Increase

The budget includes \$601,000 in additional revenue for FY15, which is intended to cover the increase in WAsD Sewer Treatment rate. On June 19, 2014, WAsD announced the preliminary wholesale customer rate of \$2.56 per thousand gallons. The preliminary rate is a \$0.11 per thousand gallons increase over the FY14 average rate of \$2.4543 per thousand gallons<sup>11</sup>.

#### Analysis of WAsD Fees, True-up & Pass-through (Expenses)

The Miami Dade Water and Sewer Department provides wholesale sewer treatment services to the City of Miami Beach (and other regional cities). At the beginning of each fiscal year WAsD establishes the rates to be charged to their wholesale customers. Tariffs are structured to recover the budgeted revenue requirement of the service and the budgeted wholesale volume of sewer treated. At the conclusion of the fiscal year, WAsD compares the actual revenue requirement and volume and revise the rates for the prior year. Differences between the actually billed tariff and the revised rate are charged or credited to the wholesale customers as a "True-up".

Table 5 below shows the calculation of the actual FY13 and budgeted FY 14 & FY 15 charges to The City.

WASD Sewer Treatment Charges	Actual FY13	Most Recent FY14 Estimate	Proposed FY15
<b>Volume (Million Gallons)</b>	8,141.8	8,238.1	8,238.1
Dry Season Rate	1.884	2.146	2.240
Wet Season Rate	2.422	2.759	2.880
<b>Average Fee per thousand gallons</b>	2.162	2.442	2.549
<b>WASD Sewer Treatment</b>	17,605,676	20,114,479	20,996,134
Rounded WASD Sewer Treatment	17,605,676	20,114,000	20,996,000
WASD True-Up	1,950,990	(1,919,000)	(645,000)
<b>Actual / Budgeted Charges</b>	<b>19,556,666</b>	<b>18,195,000</b>	<b>20,351,000</b>

Table 5

The impact of the announced rate increase by WASD is estimated to be \$887,000 (8,238.1 million gallons treated multiplied by \$0.1077 rate increase).

The WASD True-up in the budget is based on the amount announced amount for FY14 and FY15. The FY15 WASD True-up was announced on May 15, 2014.

### Analysis of Capital Improvement Plan

Table 6 below shows the CIP<sup>12</sup> plan for FY14 for both water and sewer. The more significant sewer project in the plan is for the Infiltration and Inflow Program. For FY14 the amount is negative due to a credit for Phase I of \$1.2 million compared to a budgeted cost for Phase 3 of \$1.0 million. For FY15 and FY16 the budgeted amount is \$1.7 million for each year.

In addition to the CIP, the budget includes \$558,000 in capital for FY14 and \$728,000 for FY15. The cost for this capital is funded through operating revenues.

Capital Improvement Plan - Utilities	Previous Yrs	2013/14	2014/15	2015/16	2016/17	2017/18	Future
<b>CIP Office:</b>							
Belle Isle Outfall Pipes Replacement	484,519	-	-	-	-	-	-
Convert Old water Pump Station - PW	-	-	-	-	-	-	130,000
Indian Creek 28th to 41St	2,000,411	-	-	-	-	-	-
Upsizing Undr Cap Wste Wtr IC 25-41 St	2,500,000	-	-	-	-	-	-
Upsizing Under Cap Wtr Mn IC 25-41 St	3,135,762	-	-	-	-	-	-
<b>Subtotal CIP Office</b>	<b>8,120,692</b>	-	-	-	-	-	<b>130,000</b>
<b>Public Works:</b>							
20-Inch Water Line Replacement	-	-	-	2,311,000	-	-	-
63rd Street 16" Water Main	-	1,400,000	-	-	-	-	-
69th to 72nd Str 30-Inch Parallel Force	1,453,650	-	-	-	-	-	-
Bay Road Pump Station Outfall	318,000	-	-	-	-	-	-
Citywide Sub-Aqueous Feasibility Study	360,000	-	-	-	-	-	-
Collins Ave. Main: SP Drive 72nd Street	1,400,000	(515,000)	-	-	-	-	-
Drainage Imp. - Washington & So. Pointe	405,000	-	-	-	-	-	-
Drainage Improv. - North Bay & 56 St	187,292	-	-	-	-	-	-
Infiltration & Inflow Program Phase 3	-	1,000,000	-	-	-	-	-
Infiltration & Inflow Program Phase I	7,700,009	(1,222,000)	-	-	-	-	-
Infiltration & Inflow Program Phase II	639,500	-	-	-	-	-	-
Middle North Bay Rd Drainage Improv Fut.	-	-	-	-	-	-	7,280,000
Misc. Wastewater and Water Upgrades	1,000,000	-	-	-	-	-	-
No.2. North Shore Neighborhood Pump Station #1	1,000,000	-	-	-	-	-	-
Sunset & Venetian Island Force Mains	2,869,124	-	-	-	-	-	-
Sunset Harbor Pump Station Upgrades	2,437,000	-	-	-	-	-	-
Water System Pressure Control Valve	-	200,000	-	-	-	-	-
<b>Subtotal Public Works</b>	<b>19,969,575</b>	<b>863,000</b>	-	<b>2,311,000</b>	-	-	<b>7,280,000</b>
<b>Total</b>	<b>28,090,267</b>	<b>863,000</b>	-	<b>2,311,000</b>	-	-	<b>7,410,000</b>

Table 6

The City provided MSA with the proposed Capital Budget request for FY15 (see Table 7). The request represents a significant increase in the FY14 CIP. The City is projecting a \$20 million debt issuance in FY15 to help finance the increased capital budget.

Public Works FY15 Capital Budget Request	Previous Yrs	FY15	FY16	FY17	FY18	FY19	Future	Total
County DERM and EPA Consent Decree Program Management Services	-	50,000	400,000	400,000	400,000	-	500,000	1,750,000
Sewer Pump Variable Frequency Drive Replacement	-	160,000	160,000	160,000	160,000	160,000	1,000,000	1,800,000
Citywide Water & Sewer Main Assessment	106,500	150,000	150,000	150,000	-	-	-	556,500
I&I Phase #3	1,000,000	2,855,000	2,855,000	-	-	-	-	6,710,000
Sewer Pump Station Odor Control Equipment	-	70,000	-	-	-	-	-	70,000
Upsizing Sewer Main Pipe-Euclid to Meridian	-	160,000	-	-	-	-	-	160,000
54" Diameter Redundant Sewer Force Main	990,000	4,410,000	-	-	-	-	-	5,400,000
Miscellaneous Water & Sewer Upgrades	500,000	1,000,000	-	-	-	-	-	1,500,000
Flamingo BP A	-	-	356,000	1,078,000	-	-	-	1,434,000
<b>Total FY15 Capital Budget Request</b>	<b>2,596,500</b>	<b>8,855,000</b>	<b>3,921,000</b>	<b>1,788,000</b>	<b>560,000</b>	<b>160,000</b>	<b>1,500,000</b>	<b>19,380,500</b>

Table 7

### Analysis of Debt Service

The FY 2013 CAFR (pages 68 through 72) shows the outstanding debt for the water and sewer enterprise fund as of September 30, 2013 (see Table 8 below).

Issue	At Issuance	Outstanding	Interest Rate	Maturity
2000 Revenue Bond	54,310,000	30,830,000	5-5.75%	2030
2006B-1 Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985B	85,000,000	8,500,000	4.25-4.5%	2015
2006B-1 Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985B	18,300,000	18,300,000	4.4-4.5%	2019
2006B-2 Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985C	27,500,000	905,000	4.0-4.5%	2014
2006E-2 Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985E	5,700,000	5,700,000	5.0%	2020
2009J-1A Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985J	13,590,000	13,590,000	4.1-4.5%	2020
2009J-1B Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985J	10,000,000	10,000,000	4.82-5.0%	2023
2009J-1C Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985J	30,000,000	30,000,000	5.0%	2039

Table 8

The City provided the historical and projected debt service obligations associated with the outstanding debt (see Table 9).

As we understand it, there are two debt service coverage (DSC) covenants for the outstanding bonds (we have not reviewed the bond documents). The first is a straightforward debt service coverage computed solely on the outstanding debt. The second covenant, the additional bond test, factors any anticipated

bond issuance over the upcoming 12 months in the calculation. For both tests, the DSC must be at least 110%. The City has requested that we compute the required revenues to achieve a coverage ratio of 120%.

Projected Debt Service	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Most Recent FY14 Estimate	Proposed FY15
Debt Service 2000 Bonds (36.44%)	837,105	597,990	597,989	596,266	599,000	600,000
Debt Srv-06 Refi 95 (\$36M) (70.51%)	3,404,769	3,510,770	3,393,505	3,366,060	2,509,000	3,615,000
Debt Srv-06 NEW \$ (\$24M) (70.51%)	867,501	844,690	1,169,831	799,204	838,000	839,000
Debt Service-09 Additional Bonds (55.96%)	151,921	525,880	525,881	1,319,847	1,338,000	1,337,000
Line of Credit Fees (61.36%)	55,608	24,290	15,739	81,719	12,000	12,000
<b>Total Debt Service</b>	<b>5,316,904</b>	<b>5,503,620</b>	<b>5,702,944</b>	<b>6,163,096</b>	<b>5,296,000</b>	<b>6,403,000</b>

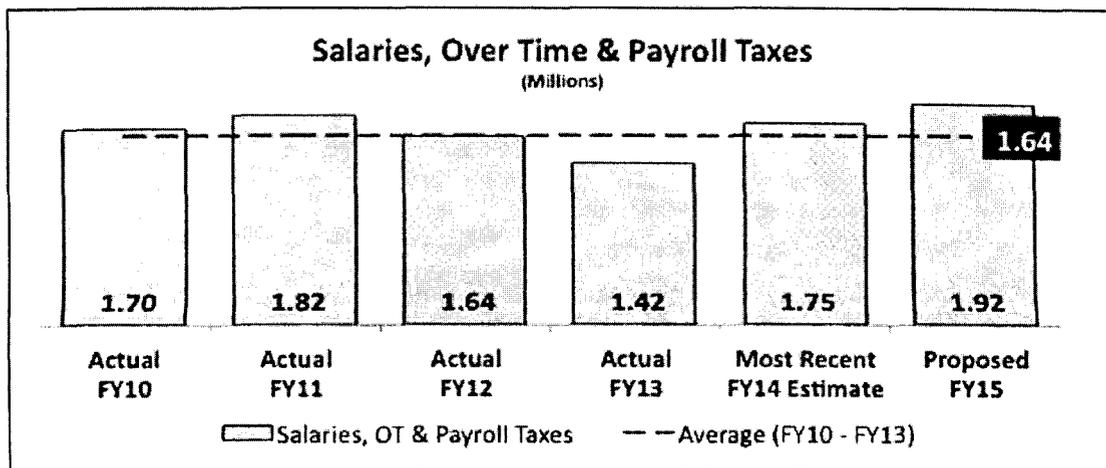
Table 9

### Analysis of Salaries, OT & Payroll Taxes

Salaries, overtime cost and payroll taxes are projected to increase by \$332,335 in FY14. While this is a significant increase in absolute terms, the budgeted cost for FY14 is lower than the actual cost in FY11. When compared to the historic average the increase is 6.4%. Actual labor cost for FY13 was \$1,417,665, and the historic average cost from FY10 through FY13 was \$ 1,644,118. We understand that in FY13 there were a large number of vacancies that drove the lower cost.

For FY15 the proposed budget contemplates an increase of 9.5% for a total cost of \$ 1,917,000. Naturally these cost increases are adding to the projected deficit of the sewer utility operations.

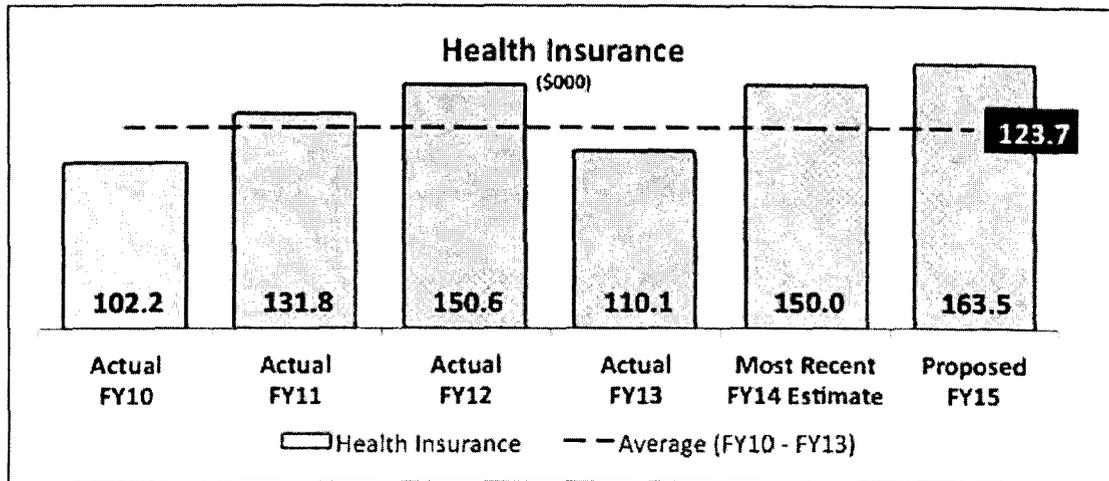
There are 34.15 budgeted positions for FY14 and FY15.



Graph 3

**Analysis of Health Insurance**

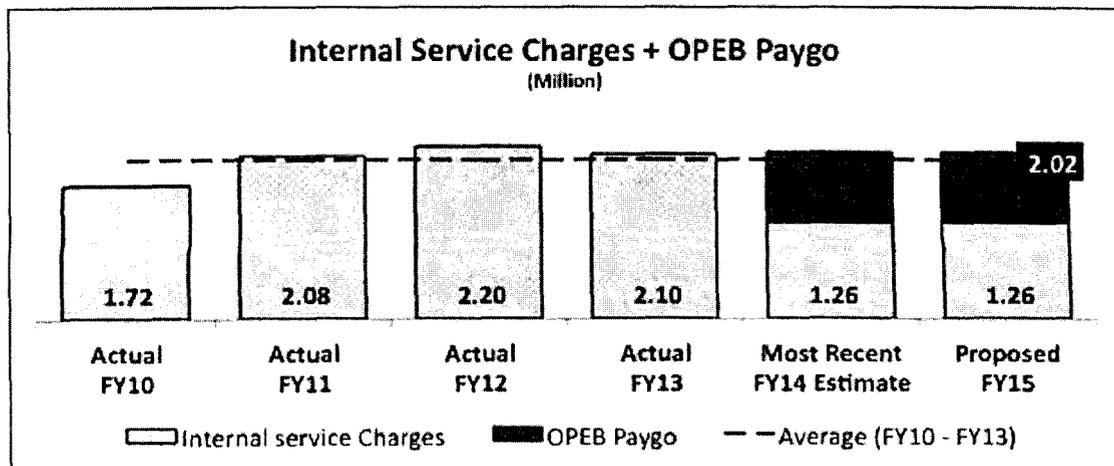
Health insurance costs are projected to increase in FY14 to \$150,000. The FY15 budget is \$163,500 a 9% increase<sup>13</sup>. Large number of vacancies in FY13 contributed to the lower costs that year. The City is projecting health insurance cost to increase 9% every year post FY15.



Graph 4

**Analysis of OPEB - PAYGO and Internal Service Charges**

Prior to FY14, OPEB PAYGO was budgeted as part of Internal Service Charges. In FY14 OPEB - PAYGO is being budgeted as part of Personnel Services in the amount of \$ 866,000. Graph 5 below shows the trend of Internal Service Charges plus the OPEB PAYGO. As the graph shows, the costs are relatively constant.



Graph 5

Table 10 below shows the components of the Internal service charges.

Internal Service Charges	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Most Recent	Proposed FY15
					FY14 Estimate	
Central Services	3,199	10,055	5,219	5,613	6,000	6,000
Property Management	66,693	72,810	52,141	57,128	17,000	17,000
Fleet Management	191,959	238,701	223,816	235,729	271,000	271,000
Communications	62,497	56,787	55,638	56,391	47,000	47,000
Self Insurance	1,326,840	1,631,145	1,785,260	1,668,805	850,000	850,000
Computers	55,883	56,922	59,244	63,910	55,000	55,000
Radios	-	-	-	-	-	-
Prop/ Elec & Contracts	4,166	2,825	1,206	3,787	-	-
Prop Mgmt Construction	-	-	3,105	92	-	-
Fleet Accidents	6,056	8,132	12,362	7,007	10,000	10,000
Internal Service Charges	1,717,293	2,077,377	2,198,011	2,098,462	1,256,000	1,256,000
OPEB - Paygo	-	-	-	-	866,000	866,000
<b>Total Internal Service Charges + OPBE Paygo</b>	<b>1,717,293</b>	<b>2,077,377</b>	<b>2,198,011</b>	<b>2,098,462</b>	<b>2,122,000</b>	<b>2,122,000</b>

Table 10

## FY15 Revenue Requirement

### Estimate of FY15 Deficit Without a Rate Increase

In order to evaluate the expected financial shortfall resulting from the current level of rates we made the following adjustments to FY14 and the Proposed FY15 budget:

- We eliminated the expected \$2.7 million cash utilized from the rate stabilization fund. We did this to see our starting point without the use of the fund.
- Eliminated the \$0.11 per thousand gallon rate increase assumed in the projected FY15 budget (i.e. we computed revenues assuming the current rate of \$6.34 per 1,000 gallons)

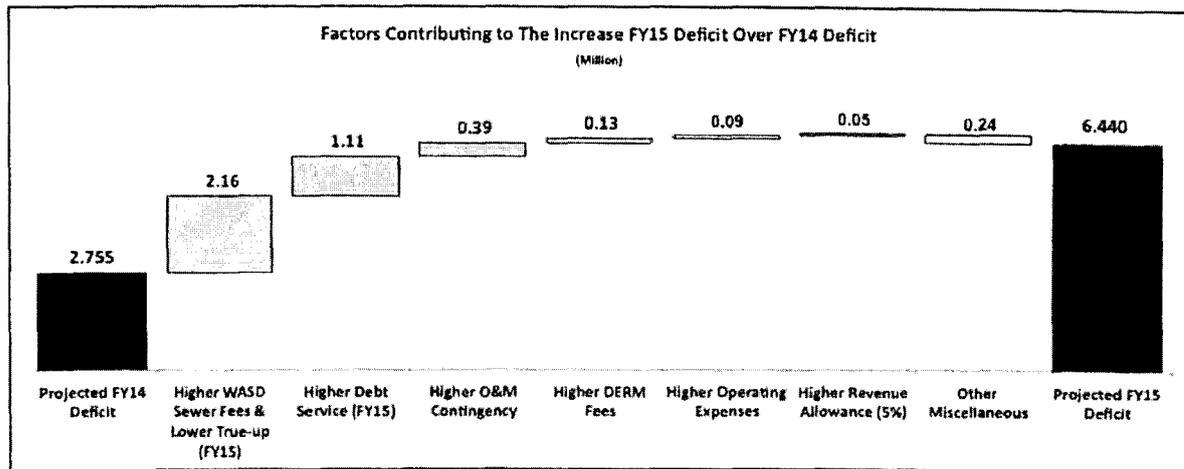
Table 11 below shows the anticipated deficit for FY15 increases to \$6.4million from \$5.9 (see Table 1) if the assumed \$0.11 per thousand gallons increase is not implemented.

Table 11 also demonstrates that the sewer utility rates were insufficient in 2013 to cover costs. In FY14 the increase in customer rates from \$6.04 to \$6.34 per thousand gallons helped to mitigate some costs increases, however the deficit for FY14 increased to \$2,754,765 (The budget anticipates using the Rate Stabilization Funds to cover this shortfall).

Assuming FY15 User Rate of \$6.34 per Thousand Gallons	Actual FY13	Most Recent FY14 Estimate	Proposed Budget FY15
<b>Revenues:</b>			
User Fees	33,539,987	35,403,000	35,403,000
Less Adjustments for sewer credits, sewer adjustment, accruals, etc.	(1,314,245)	(1,386,000)	(1,386,000)
Revenue Allowance	-	(1,650,000)	(1,701,000)
Sewer Connection Fees	31,500	30,000	30,000
Sewer Fees-Cities	2,905,532	2,205,281	2,295,874
Sewer Fee-Cities Credit True-up	-	(227,046)	(82,013)
Sal Cities-WASD pass-thru True Up	-	-	-
Interest	144,011	98,000	171,000
Penalties	169,151	150,000	150,000
Miscellaneous Fees	32,175	100,000	30,000
Retained Earnings - Capital	-	558,000	728,000
<b>Total Revenues</b>	<b>35,508,109</b>	<b>35,281,235</b>	<b>35,638,861</b>
<b>Current Expenses:</b>			
Operating Expenses	5,735,710	6,876,000	6,965,500
WASD Sewer Treatment	17,605,676	20,114,000	20,996,000
WASD True-Up	1,950,990	(1,919,000)	(645,000)
DERM Fee	2,461,697	2,417,000	2,551,000
Operating Expense Contingency	-	933,000	1,319,000
<b>Total Current Expenses</b>	<b>27,754,073</b>	<b>28,421,000</b>	<b>31,186,500</b>
<b>Net Revenues Available for Debt Service</b>	<b>7,754,036</b>	<b>6,860,235</b>	<b>4,452,361</b>
<b>Debt Service:</b>			
Debt Service 2000 Bonds (36.44%)	596,266	599,000	600,000
Debt Srv-06 Refi 95 (\$36M) (70.51%)	3,366,060	2,509,000	3,615,000
Debt Srv-06 NEW \$ (\$24M) (70.51%)	799,204	838,000	839,000
Debt Service-09 Additional Bonds (55.96%)	1,319,847	1,338,000	1,337,000
Line of Credit Fees (61.36%)	81,719	12,000	12,000
Series 2015	-	-	-
<b>Total Debt Service</b>	<b>6,163,096</b>	<b>5,296,000</b>	<b>6,403,000</b>
<b>Net Revenues After Debt Service</b>	<b>1,590,940</b>	<b>1,564,235</b>	<b>(1,950,639)</b>
Administration Fees	1,641,000	1,698,000	1,698,000
Depreciation Reserve (Funded Renewal & Replacement)	2,186,418	2,063,000	2,063,000
Capital	231,474	558,000	728,000
<b>Surplus / Deficit</b>	<b>(2,467,952)</b>	<b>(2,754,765)</b>	<b>(6,439,639)</b>
Rate Stabilization Fund	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(2,467,952)</b>	<b>(2,754,765)</b>	<b>(6,439,639)</b>

Table 11

Graph 6 below show the factors that contributed to the increase in the FY15 deficit from FY14.



Graph 6

The largest contributor to the rise in the operating deficit is the net WASD Sewer Treatment Fees. There are two components that make up the additional \$2.16 million as follows:

- \$887,000 attributable to the proposed higher WASD Sewer Treatment rate of \$2.56 per 1,000 gallons
- \$1,274,000 due to a reduction in the WASD True-up refund from \$1,919,00 in FY14 to \$645,000 in FY15

Debt Service associated with the 2006 Refinanced 1995 (\$36M) revenue bond is projected to increase in FY15 to \$3,615,000 from the budgeted amount in FY14 of \$ 2,509,000. We should highlight, however, that the FY14 debt service for this bond was \$857,060 lower than the FY13 actual of \$ 3,366,060 (see Table 9).

The higher O&M contingency is a function of the higher operating costs in part due to the higher WASD Sewer Treatment costs. DERM fees are a function of last year's revenue. Since there was a rate increase and slight volume increase in FY14 the DERM fees are projected to increase.

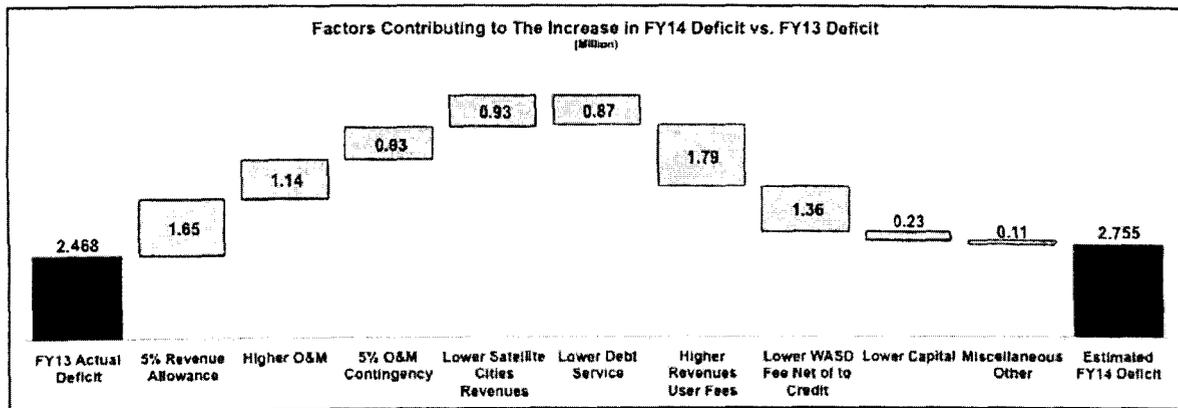
Revenues from the Satellite Cities are projected to increase by \$ 235,626 (see Table 3). The increase is due to the \$0.11 per thousand gallons WASD increase and a reduction in the WASD thru-up cost from \$227,046 to \$82,013.

Operating costs are projected to modestly increase by \$ 89,500 from FY14. Table 11 below shows the component of the cost increases.

Summary of Operating Expenses	FY13	FY14	FY15	FY14	FY15
				vs.	vs.
				FY13	FY14
Salaries, OT & Payroll Taxes	1,417,665	1,750,000	1,917,000	332,335	167,000
401k and Retirement Contribution & Allowances	575,244	707,000	660,000	131,756	(47,000)
Health Insurance	110,071	150,000	163,500	39,929	13,500
OPEB Paygo	-	866,000	866,000	866,000	-
OPEB - Contribution	45,051	227,000	227,000	181,949	-
Other Employee Related	35,061	41,000	39,000	5,939	(2,000)
Utilities (Electricity, Water, Telephone, Etc.)	551,100	552,000	555,000	900	3,000
Other Operating Expenses	437,478	673,000	527,000	235,522	(146,000)
Repairs & Maintenance	391,083	580,000	682,000	188,917	102,000
Equipment Loan (Other Operating)	74,495	74,000	73,000	(495)	(1,000)
Internal service Charges	2,098,462	1,256,000	1,256,000	(842,462)	-
Operating Expenses	5,735,710	6,876,000	6,965,500	1,140,290	89,500

Table 11

Graph 7 below shows the factors contributing to the increase in the deficit in FY14. Vs. FY13.



Graph 7

Operating costs increased by \$1.1 million mostly due to an increase in labor costs, maintenance and other miscellaneous expenses (See Table 11 above).

The 5% contingency included in the budget also contributed to the increased operating cost by \$933,000. Since FY13 reflects the actual results, a contingency is naturally not appropriate.

User Fees increased by \$ 1.79 million due to the following factors:

- a. \$0.19 million due to a 0.6% increase in volume,
- b. \$1.69 million due to the rate increase from \$6.04 to \$6.34 per thousand gallons,
- c. -\$0.07 million increase in revenue credits

Revenues were reduced for the following reasons:

- a. The inclusion of a 5% revenue allowance of \$1.65 million
- d. \$0.9 million lower Sewer Fees - Cities

The lower debt service is discussed above and it is related to the 2006 Refinanced 1995 (\$36M) revenue bond.

The net WASD cost was a decrease of \$1.36 million. The actual cost of WASD Sewer Treatment increased by \$2.5 million in FY14.

- \$ 0.2 million due to volume increase and;
- \$ 2.3 million due to rate increase of \$0.30 per thousand gallons.

The increase in WASD Sewer Treatment cost was offset by a True-up credit of \$1,919,000 compared to a debit amount in FY13 of \$1,950,990, a change of (\$3,869,990).

### **Revenue Requirement Methodology**

The City's sewer utility rates should be designed to maintain the financial integrity of the sewer utility. In the August 22, 2013 Committee Memorandum from City Manager Jimmy L. Morales to the Finance and Citywide Projects Committee, the basic concept of rate making was defined. It states:

"The City's utility rates for water and sanitary sewer services are structured to collect the necessary revenues to meet annual operating and maintenance costs of the water and sanitary sewer infrastructure, to cover debt service for water and sewer bonds to maintain adequate operating fund reserves, and, to pay Miami-Dade County for wholesale water purchased, the treatment of the City's sewage and other fees. Increasing the sanitary sewer rate in the amount levied by the County, and maintaining the existing water rate to pay all other costs listed above will keep the City water and sewer funds balanced.

In general, the rates for water supply and sanitary sewer services consist of:

- Pass-through of the wholesale rate the City pays to Miami-Dade County for the purchase of potable water and treatment of sewage;
- Debt service for the Water and Sewer Revenue Bonds; Operating and maintenance costs for the water and sewer utility;
- 7.5% fee of previous year total revenue paid to the Miami-Dade County Environmental Resource Management Department (DERM)."

MSA agrees with this approach.

### Calculation of FY15 Revenue Requirement

Following the approach discussed above and the projected budget for FY15 we estimate that Sewer User Fee revenues need to be increased to \$40,795,410 (\$42,181,410 net of adjustments of \$1,386,000). Based on the assumed sales volume of 5,584,100 thousand gallons, the needed tariff is \$ 7.55 per thousand gallons. This represents an increase of 19.15% from the current rate of \$6.34 per thousand gallons.

Table 12 shows our calculation of the required annual Sewer User Fee revenues and associated rate per thousand gallons.

<b>Calculation of Revenue Requirement:</b>	<b>FY15</b>
(A) Current Expenses (Including Contingency)	31,186,500
(B) Debt Service	6,403,000
(C) AdminFee, Dep Reserve & Capital	4,489,000
(D) Revenues to hit Target DSC [ (B) x 120% + (A) ]	38,870,100
(E) Revenue to Cover Expenses [ (A) + (B) + (C) ]	42,078,500
(F) Greater of (D) or (E)	42,078,500
(G) Less Other Revenues	
Sewer Connection Fees	(30,000)
Sewer Fees-Cities	(2,295,874)
Sewer Fee-Cities Credit True-up	82,013
Sat Cities-WASD pass-thru True Up	-
Interest	(171,000)
Penalties	(150,000)
Miscellaneous Fees	(30,000)
Retained Earnings - Capital	(728,000)
Sub Total Other Revenues	(3,322,861)
(H) Net Sewer User Fees Required	38,755,639
(I) Revenue Allowance ( J) - (H)	2,039,770
(J) Sewer User Fees Required After Adjustments (H) / .95	40,795,410
(K) Adjustments	1,386,000
(L) Total Sewer User Fees (J) + (K)	42,181,410
(M) Billed Volume	5,584,100
(N) Sewer Rate [ (L) / (M) ]	7.55
Increase over prior year	19.15%

Table 12

Table 13 below shows the projected results for FY15 if the user fees were to be increased to \$7.55 per thousand gallons.

Please note that the Additional Bond Test factors in an anticipated bond issuance in 2015 of \$20 million. \$536,682 is the projected debt service associated with the bond for sewer beginning in FY16.

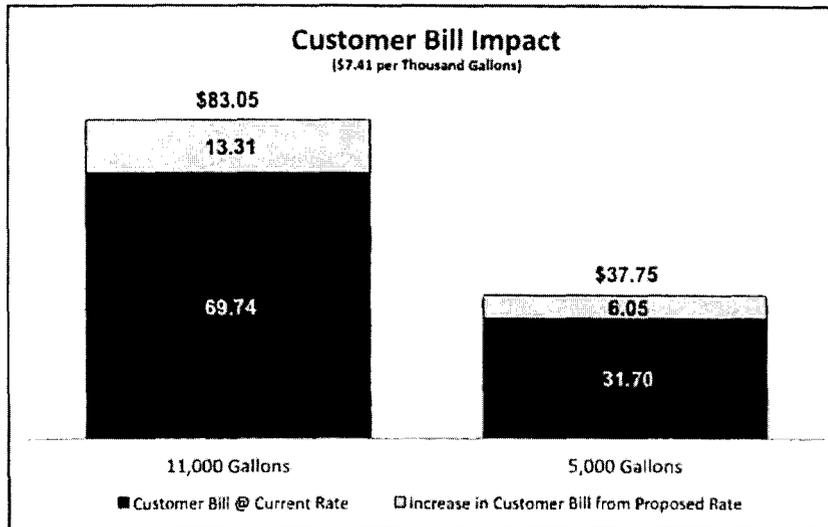
Assuming FY 15 User Rate of \$7.55 per Thousand Gallons	Actual	Most Recent	Proposed
	FY 13	FY 14 Estimate	Budget FY 15
<b>Revenues:</b>			
User Fees	33,539,987	35,403,000	42,181,000
Less Adjustments for sewer credits, sewer adjustment, accruals, etc.	(1,314,245)	(1,386,000)	(1,386,000)
Revenue Allowance	-	(1,650,000)	(2,040,000)
Sewer Connection Fees	31,500	30,000	30,000
Sewer Fees-Cities	2,905,532	2,205,281	2,295,874
Sewer Fee-Cities Credit True-up	-	(227,046)	(82,013)
Sat Cities-WASD pass-thru True Up	-	-	-
Interest	144,011	98,000	171,000
Penalties	169,151	150,000	150,000
Miscellaneous Fees	32,175	100,000	30,000
Retained Earnings - Capital	-	558,000	728,000
<b>Total Revenues</b>	<b>35,508,109</b>	<b>35,281,235</b>	<b>42,077,861</b>
<b>Current Expenses:</b>			
Operating Expenses	5,735,710	6,876,000	6,965,500
WASD Sewer Treatment	17,605,676	20,114,000	20,996,000
WASD True-Up	1,950,990	(1,919,000)	(645,000)
DERM Fee	2,461,697	2,417,000	2,551,000
Operating Expense Contingency	-	933,000	1,319,000
<b>Total Current Expenses</b>	<b>27,754,073</b>	<b>28,421,000</b>	<b>31,186,500</b>
<b>Net Revenues Available for Debt Service</b>	<b>7,754,036</b>	<b>6,860,235</b>	<b>10,891,361</b>
<b>Debt Service:</b>			
Debt Service 2000 Bonds (36.44%)	596,266	599,000	600,000
Debt Srv-06 Refi 95 (\$36M) (70.51%)	3,366,060	2,509,000	3,615,000
Debt Srv-06 NEW \$ (\$24M) (70.51%)	799,204	838,000	839,000
Debt Service-09 Additional Bonds (55.96%)	1,319,847	1,338,000	1,337,000
Line of Credit Fees (61.36%)	81,719	12,000	12,000
Series 2015	-	-	-
<b>Total Debt Service</b>	<b>6,163,096</b>	<b>5,296,000</b>	<b>6,403,000</b>
<b>Net Revenues After Debt Service</b>	<b>1,590,940</b>	<b>1,564,235</b>	<b>4,488,361</b>
Administration Fees	1,641,000	1,698,000	1,698,000
Depreciation Reserve (Funded Renewal & Replacement)	2,186,418	2,063,000	2,063,000
Capital	231,474	558,000	728,000
<b>Surplus / Deficit</b>	<b>(2,467,952)</b>	<b>(2,754,765)</b>	<b>(639)</b>
Rate Stabilization Fund	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(2,467,952)</b>	<b>(2,754,765)</b>	<b>(639)</b>
Debt Service Coverage	126%	130%	170%
Additional Bond Test	-	-	157%

Table 13

### Customer Impact and Rates for Other Florida Sewer Utilities

Under the proposed new rate of \$7.55 per thousand gallons, the monthly cost to a customer that uses 11,000 gallons will be \$83.05. This represents a monthly increase of \$13.31 from the current \$69.74 monthly cost under the existing \$6.34 per thousand-gallon rate.

The monthly cost to a customer that uses 5,000 gallons will be \$37.75; an increase of \$6.05 over the \$31.70 under the current rate.



Graph 8

Table 14 shows current sewer rate for various systems in Florida.

Sewer Utility	Total Bill		Average per 1,000 Gallons	
	11,000 Gallons	5,000 Gallons	11,000 Gallons	5,000 Gallons
City of Ft. Lauderdale	49.28	22.16	4.48	4.43
City of Ft. Myers	149.73	76.80	13.61	15.36
Gainesville Regional Utilities	72.20	37.10	6.56	7.42
City of Hialeah	52.75	25.66	4.80	5.13
City of Hialeah Gardens	48.40	22.00	4.40	4.40
City of Homestead	47.31	29.25	4.30	5.85
Jacksonville - JEA	77.91	40.65	7.08	8.13
Key Largo	91.57	59.95	8.32	11.99
City of Key West	72.27	45.27	6.57	9.05
City of Marco Island	85.42	53.50	7.77	10.70
City of Medley	31.35	12.33	2.85	2.47
Miami Dade Water & Sewer	44.74	14.68	4.07	2.94
City of Naples	59.02	36.58	5.37	7.32
North Miami	47.13	28.05	4.28	5.61
Orlando (Inside City Limits)	65.25	39.39	5.93	7.88
Orlando (Outside City Limits)	81.37	49.15	7.40	9.83
City of Plantation	54.92	32.30	4.99	6.46
City of St. Augustine (Inside City Limits)	71.74	35.86	6.52	7.17
City of St. Augustine (Outside City Limits)	88.90	44.14	8.08	8.83
City of Weston	76.89	51.45	6.99	10.29
City of West Palm Beach	62.80	34.97	5.71	6.99
Sanibel Island	54.85	54.85	4.99	10.97
City of Sunrise	61.51	41.17	5.59	8.23
City of Tallahassee	75.60	43.50	6.87	8.70
City of Tampa (Inside City Limits)	69.26	31.48	6.30	6.30
City of Tampa (Outside City Limits)	86.47	39.30	7.86	7.86

Notes:  
 1) Source is the cities most recent published rate schedule as presented on their web-sites.  
 2) In the case of Hialeah and Key West, MSA contacted the customer service department to obtained the rate schedule  
 3) Total Bill computed based on the published rate schedule for the assumed usage and smallest available meter

Table 14

## Revenue Requirement Beyond FY15

Beyond FY15 we estimated the revenue requirements and associated tariff by trending the FY15 budget. Our specific assumptions are as follows

- Constant volume for both revenues and WASD Sewer Treatment
- Constant WASD Sewer Treatment costs
- 5% labor rate escalation
- 9% health care escalation
- 3% general inflation used to escalate most other costs
- Debt service as provided by the City
- New \$20 million bond issuance in 2015. The City provided an associated debt service projection.

Table 15 below shows the estimated revenue requirements through FY20 and the associated Sewer User Rates. Please note that these projections are for demonstration purposes only, as a thorough analysis has not been performed.

Calculation of Revenue Requirement:	FY15	FY16	FY17	FY18	FY19	FY20
(A) Current Expenses (including Contingency)	31,188,500	32,669,000	33,135,600	33,503,400	33,884,500	34,284,900
(B) Debt Service	6,403,000	6,940,392	6,940,392	6,940,392	6,940,392	6,940,392
(C) Admin Fee, Dep Reserve & Capital	4,489,000	4,489,000	4,489,000	4,489,000	4,489,000	4,489,000
(D) Revenues to hit Target DSC [ (B) x 120% + (A) ]	38,870,100	40,997,470	41,464,070	41,831,870	42,212,970	42,613,370
(E) Revenue to Cover Expenses [ (A) + (B) + (C) ]	42,078,500	44,098,392	44,564,992	44,932,792	45,313,892	45,714,292
(F) Greater of (D) or (E)	42,078,500	44,098,392	44,564,992	44,932,792	45,313,892	45,714,292
(G) Less Other Revenues						
Sewer Connection Fees	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Sewer Fees-Cities	(2,295,874)	(2,295,874)	(2,295,874)	(2,295,874)	(2,295,874)	(2,295,874)
Sewer Fee-Cities Credit True-up	82,013	-	-	-	-	-
Sat Cities-WASD pass-thru True Up	-	-	-	-	-	-
Interest	(171,000)	(171,000)	(171,000)	(171,000)	(171,000)	(171,000)
Penalties	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Miscellaneous Fees	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Retained Earnings - Capital	(728,000)	(728,000)	(728,000)	(728,000)	(728,000)	(728,000)
Sub Total Other Revenues	(3,322,861)	(3,404,874)	(3,404,874)	(3,404,874)	(3,404,874)	(3,404,874)
(H) Net Sewer User Fees Required	38,755,639	40,693,518	41,160,118	41,527,918	41,909,018	42,309,418
(I) Revenue Allowance ( J ) - (H)	2,039,770	2,141,764	2,166,322	2,185,880	2,205,738	2,226,811
(J) Sewer User Fees Required After Adjustments (H) / .95	40,795,410	42,835,282	43,326,440	43,713,598	44,114,756	44,536,229
(K) Adjustments	1,386,000	1,386,000	1,386,000	1,386,000	1,386,000	1,386,000
(L) Total Sewer User Fees (J) + (K)	42,181,410	44,221,282	44,712,440	45,099,598	45,500,756	45,922,229
(M) Billed Volume	5,584,100	5,584,100	5,584,100	5,584,100	5,584,100	5,584,100
(N) Sewer Rate [ (L) / (M) ]	7.55	7.92	8.01	8.08	8.15	8.22
Increase over prior year:	19.15%	4.84%	1.11%	0.87%	0.89%	0.93%

Table 15

Table 16 shows the projected financial results if the tariffs in Table 15 were implemented. Please note that the small deficits are due to rounding.

Assuming FY15 User Rate of \$7.55 per Thousand Gallons	Proposed Budget FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19	Projected FY 20
<b>Revenues:</b>						
User Fees	42,181,000	44,221,000	44,712,000	45,100,000	45,501,000	45,922,000
Less Adjustments for sewer credits, sewer adjustment, accruals, etc.	(1,386,000)	(1,386,000)	(1,386,000)	(1,386,000)	(1,386,000)	(1,386,000)
Revenue Allowance	(2,040,000)	(2,211,000)	(2,236,000)	(2,255,000)	(2,275,000)	(2,296,000)
Sewer Connection Fees	30,000	30,000	30,000	30,000	30,000	30,000
Sewer Fees-Cities	2,295,874	2,295,874	2,295,874	2,295,874	2,295,874	2,295,874
Sewer Fee-Cities Credit True-up	(82,013)	-	-	-	-	-
Sat Cities-WASD pass-thru True Up	-	-	-	-	-	-
Interest	171,000	171,000	171,000	171,000	171,000	171,000
Penalties	150,000	150,000	150,000	150,000	150,000	150,000
Miscellaneous Fees	30,000	30,000	30,000	30,000	30,000	30,000
Retained Earnings - Capital	728,000	728,000	728,000	728,000	728,000	728,000
<b>Total Revenues</b>	<b>42,077,861</b>	<b>44,028,874</b>	<b>44,494,874</b>	<b>44,863,874</b>	<b>45,244,874</b>	<b>45,644,874</b>
<b>Current Expenses:</b>						
Operating Expenses	6,965,500	7,248,000	7,546,600	7,862,400	8,196,500	8,549,900
WASD Sewer Treatment	20,996,000	20,996,000	20,996,000	20,996,000	20,996,000	20,996,000
WASD True-Up	(645,000)	-	-	-	-	-
DERM Fee	2,551,000	3,060,000	3,213,000	3,249,000	3,279,000	3,309,000
Operating Expense Contingency	1,319,000	1,365,000	1,380,000	1,396,000	1,413,000	1,430,000
<b>Total Current Expenses</b>	<b>31,186,500</b>	<b>32,669,000</b>	<b>33,135,600</b>	<b>33,503,400</b>	<b>33,884,500</b>	<b>34,284,900</b>
<b>Net Revenues Available for Debt Service</b>	<b>10,891,361</b>	<b>11,359,874</b>	<b>11,359,274</b>	<b>11,360,474</b>	<b>11,360,374</b>	<b>11,359,974</b>
<b>Debt Service:</b>						
Debt Service 2000 Bonds (36.44%)	600,000	600,000	600,000	600,000	600,000	600,000
Debt Srv-06 Refl 95 (\$36M) (70.51%)	3,615,000	3,614,800	3,614,800	3,614,800	3,614,800	3,614,800
Debt Srv-06 NEW \$ (\$24M) (70.51%)	839,000	839,300	839,300	839,300	839,300	839,300
Debt Service-09 Additional Bonds (55.96%)	1,337,000	1,337,610	1,337,610	1,337,610	1,337,610	1,337,610
Line of Credit Fees (61.36%)	12,000	12,000	12,000	12,000	12,000	12,000
Series 2015	-	536,682	536,682	536,682	536,682	536,682
<b>Total Debt Service</b>	<b>6,403,000</b>	<b>6,940,392</b>	<b>6,940,392</b>	<b>6,940,392</b>	<b>6,940,392</b>	<b>6,940,392</b>
<b>Net Revenues After Debt Service</b>	<b>4,488,361</b>	<b>4,419,482</b>	<b>4,418,882</b>	<b>4,420,082</b>	<b>4,419,982</b>	<b>4,419,582</b>
Administration Fees	1,698,000	1,698,000	1,698,000	1,698,000	1,698,000	1,698,000
Depreciation Reserve (Funded Renewal & Replacement)	2,063,000	2,063,000	2,063,000	2,063,000	2,063,000	2,063,000
Capital	728,000	728,000	728,000	728,000	728,000	728,000
<b>Surplus / Deficit</b>	<b>(639)</b>	<b>(69,518)</b>	<b>(70,118)</b>	<b>(68,918)</b>	<b>(69,018)</b>	<b>(69,418)</b>
Rate Stabilization Fund	-	-	-	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(639)</b>	<b>(69,518)</b>	<b>(70,118)</b>	<b>(68,918)</b>	<b>(69,018)</b>	<b>(69,418)</b>
Debt Service Coverage	170%	164%	164%	164%	164%	164%
Additional Bond Test	157%	-	-	-	-	-

Table 16

## Conclusions and Recommendations

The current rate of \$6.34 per thousand gallons is insufficient to cover the cost of providing sewer service. Based on the proposed FY15 budget provided by the City, rates would have to be increased by 19.15% to \$7.55 per thousand gallons in FY15. Additional rate increases will likely be needed to cover debt service requirement of a proposed \$20 million debt issuance in FY15 and to cover further increases in costs (due to inflation, etc.) beyond FY15.

The sewer utility has been operating at a deficit since FY13. Increase in WASD Treated Sewer fees and scheduled increase in debt service payment for existing bonds are the largest contributors to a rise in the projected FY15 deficit of \$6.44 million.

MSA recommends that a detailed cost of service study be undertaken for the City's sewer utility. Fees charged to Satellite Cities to transport wastewater to WASD appear to be insufficient to cover the cost of providing this service. As

part of the comprehensive cost of study, MSA also recommends performing a detailed cost allocation study to address the proper charges to the Satellite Cities. During the detailed cost of service study the City, with the help of MSA, the City should investigate various ratemaking strategies to ensure the financial stability of the sewer system. These strategies may include the following:

- Rate increase to account for multiple years of anticipated cost increases
- An annual pass-through mechanism for WASD fees
- An annual inflation adjustment

MSA thanks the City for an opportunity to undertake this important analysis.

## Appendices

### Appendix 1: Definitions:

Term	Definition
Additional Bond Test	The ratio of Revenues Available for Debt Service divided by the sum of current year debt service obligation (interest and principal amortization) and the anticipated debt service requirement for new debt issuance over the upcoming 12 months (also interest and principal amortization).
CAFR	The Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2013
CIP	2013/14 – 2017/18 Capital Improvement Plan & FY 2013/14 Capital Budget
City	City of Miami Beach or City of Miami Beach Public Works Department
DSC	Debt service coverage ratio is computed as the ratio of Revenues Available for Debt Service over the debt service payments (interest and principal amortization)
FY	Fiscal year that comprises the 12-month period beginning October 1 <sup>st</sup> and runs through September 30 <sup>th</sup> of each year
MSA	Milian, Swain & Associates, Inc.
OBPI	The Office of Budget and Performance Improvement
Revenue Available for Debt Service	Define as Total Revenues less Operating Expenses, less WASD Sewer Treatment fee and True-up, less DERM Fee and, less operating cost contingency
Satellite Cities	The municipalities of Bal Harbour, Surfside, Bay Harbor Islands, and North Bay Village.
Test Year	Financial information for the FY used to evaluate

Term	Definition
	the adequacy of the current tariff. Adequacy is measured by the ability of the Sewer System to achieve a debt service coverage ratio of 120% and to operate without a deficit.
WASD	Miami Dade Water and Sewer Department

<sup>1</sup> Page 130 of The Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2013. Preliminary estimate of the population of Miami Beach for 2012 Florida Statistical Abstract, 2013 is 90,848

<sup>2</sup> Page 134 of The Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2013. Miles of forced mains for 2013 assumed to be the same as 2013.

<sup>3</sup> FY 2013 treated sewer was 8,141,821,000 gallons. The projected volume for FY 2014 is 8,238,077,570 gallons (source is The City).

<sup>4</sup> FY 2013 billed residents of the City 5,552,977,900 gallons. The projected volume for FY 2014 is 5,584,100,420 gallons (source is The City).

<sup>5</sup> We provided a draft report to Mr. Eric Carpenter and Mr. Keith Wilder.

<sup>6</sup> August 22, 2013 Committee Memorandum from Jimmy L. Morales, City Manager.

<sup>7</sup> Billing detail provided by the City to MSA; the average rate reflects the wet and dry season charges divided by the total anticipated volume for the entire year.

<sup>8</sup> Provided by the City.

<sup>9</sup> Also provided by the City. No specific reason was provided for the growth in consumption or why the City is projecting no growth in the future.

<sup>10</sup> Note that if we exclude the net WASD Treated Sewer cost from operating cost and revenues from the Satellite Cities (since they are a pass-through), the contribution to fix cost is less than 1%.

<sup>11</sup> Please note that the actual tariff is based on different charges for the wet season (from May through October of \$ 2.759) and the dry season (from November through April of \$ 2.146).

<sup>12</sup> Table 7 is \$3.4 million lower than the FY14 approved CIP as it appears on the City's website. The revised CIP was provided by Keith Wilder on June 21, 2014.

<sup>13</sup> Original healthcare projected cost included in the OBPI FY15 budget was \$230,000. The City instructed MSA to revise this item downward to \$163,500 to be more consistent with the expected 9% growth in healthcare cost. \$163,500 is computed from the FY14 base of \$150,000 x 109%.