

MIAMI BEACH

OFFICE OF THE CITY MANAGER

LTC NO. 360-2023

LETTER TO COMMISSION

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: August 9, 2023

SUBJECT: Fiscal Year 2023 Third Quarter Analysis

The purpose of this Letter to Commission (LTC) is to provide the Mayor and City Commission with the status of the Fiscal Year (FY) 2023 operating budget as of the third quarter ending June 30, 2023 with projections through the fiscal year ending September 30, 2023.

This analysis is a preliminary projection based on experience during the first nine months of the current fiscal year, which is not a definitive indication of the experience for the remainder of the fiscal year. However, it does provide an initial glance in identifying any potential areas of concern and/or opportunities. Certain assumptions for both revenues and expenditures have been made in these projections that will continue to be refined and adjusted as additional information becomes available.

SUMMARY

Based on the third quarter of the current fiscal year (FY 2023), revenue and expenditure projections through September 30, 2023 for the General Fund reflect a year-end surplus of approximately \$20.1 million, which is an increase of \$8.8 million over the \$11.3 million surplus projected as of the second quarter of the current fiscal year. The 2% Resort Tax Fund reflects a projected year-end surplus of approximately \$6.6 million, which is approximately \$78,000 less than the \$6.7 million surplus projected as of the second quarter of the current fiscal year.

During the current fiscal year, the FY 2023 Operating budget has been amended seven times to appropriate funds from the FY 2023 projected surplus, as detailed in the table below. In addition, the FY 2024-2028 Capital Improvement Plan (CIP), as summarized by the City Administration during the FY 2024 budget development process, reflects approximately \$1.1 billion in capital project needs over the next five years. As a result, during the development of the FY 2024 Capital Budget, the Administration recommended the transfer of approximately \$5.0 million from the projected FY 2023 General Fund year-end surplus and \$5.8 million from the projected FY 2023 2% Resort Tax Fund surplus (through the General Fund) to the Pay-As-You-Go Capital Fund in order to fund critical capital projects.

FY 2023	General Fund	Resort Tax
Projected Surplus as of Q3	\$20,063,000	\$6,590,000
FY 2023 Mid-Year Appropriations Approved by Commission to Date	(5,309,000)	0
Additional Homeless Trust Set-aside	(1,000,000)	0
Projected FY 2023 Surplus Allocated for Projects in FY 2024 Capital Budget	(4,980,000)	(5,808,000)
Remaining Projected Surplus	\$8,774,000	\$782,000

The City Administration is recommending that the remaining \$8.8 million General Fund surplus projected for FY 2023 be set aside to partially fund the General Fund required reserve levels and targets, which will be updated based on the Adopted FY 2024 General Fund Budget. The projected amount needed to fully fund this reserve is \$11.1 million.

Similarly, it is recommended that the remaining projected FY 2023 year-end surplus in the 2% Resort Tax Fund of \$782,000 be set aside to partially fund the Resort Tax Fund required reserve levels and targets, which will be updated based on the Adopted FY 2024 2% Resort Tax Fund Budget. The projected amount needed to fully fund this reserve is \$2.0 million.

RESERVES

The General Fund reserve as of September 30, 2022 is \$95.7 million, or 25.0%, which equals 3 months of reserves based on the FY 2023 adopted budget. The reserve policy for the General Fund is a required 2 months and a goal of 3 months pursuant to Resolution No. 2019-30954 that was adopted by the City Commission on September 11, 2019.

The Resort Tax reserve as of September 30, 2022 is \$37.8 million, or 50.0%, which equals 6 months of reserves based on the FY 2023 adopted budget. The reserve policy for the 2% Resort Tax Fund is a minimum of 2 months and a goal of 6 months pursuant to Resolution No. 2019-30664 that was adopted by the City Commission on January 16, 2019.

Additional funding requirements for these reserves will continue to be evaluated as part of the year-end process for FY 2023 and finalization of the FY 2024 budget development process.

ANALYSIS

All General Fund, Enterprise Funds, Internal Services Funds, and Special Revenue Funds budgets are projected to be at or below their current amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures, except for specific General Fund departments, the Sanitation and Convention Center Enterprise Funds, the Risk Management Internal Service Fund, and the 5th & Alton and Biscayne Point Special Taxing District Special Revenue Funds that will be detailed further in the forthcoming third quarter analysis.

GENERAL FUND

Third Quarter Status

An analysis of the actual nine-month operating revenues and expenses for the period October 1, 2022 through June 30, 2023 reflects an operating budget surplus of approximately \$90.9 million. While the actual surplus as of June 30, 2023 may seem unusual when compared to the projection for the current fiscal year ending September 30, 2023, it should be noted that the City receives a large percentage of its annual ad valorem property tax revenues during the early months of the fiscal year. Ad valorem property tax revenues represent approximately 59.3% of total budgeted revenues adopted for FY 2023 and 64.0% of actual revenues that have been collected during the first nine months of the current fiscal year.

As of June 30, 2023, total revenues collected in the General Fund were 88.1% of the current FY 2023 amended budget, or \$353.4 million. Conversely, expenditures were 65.4% of the current FY 2023 amended budget, or \$262.5 million since there are often delays in expenditures until the close of the fiscal year.

FY 2023 Budget					
General Fund	Adopted Budget	Amended Budget	3/4 of Amended Budget	Actuals as of 06/30/23	Variance from 3/4 Amended Budget Over / (Under)
Revenues	\$ 382,618,000	\$ 401,246,000	\$ 300,934,500	\$ 353,477,332	\$ 52,542,832
Expenditures	\$ 382,618,000	\$ 401,246,000	\$ 300,934,500	\$ 262,537,794	\$ (38,396,706)
Excess of Revenues Over/(Under) Expenditures				\$ 90,939,538	

Year-End Projections

Year-end operating revenues and expenditures projected through September 30, 2023 provide a more realistic indication of any estimated year-end surpluses or shortfalls as of this point in time. While actual revenues and expenses reflected in this analysis are as of June 30, 2023, these projections also incorporate more current information available.

A summary of the preliminary General Fund revenues and expenditures as of June 30, 2023 with projections through September 30, 2023 reflects a projected year-end surplus of approximately \$20.1 million, which the City Administration recommends be set aside for capital funding needs and required reserve levels and reserve targets.

FY 2023 Budget					
General Fund	Adopted Budget	Amended Budget	Projected	Difference	% Over / (Under)
Revenues	\$ 382,618,000	\$ 401,246,000	\$ 414,429,000	\$ 13,183,000	3.3%
Expenditures	\$ 382,618,000	\$ 401,246,000	\$ 394,366,000	\$ (6,880,000)	-1.7%
Excess of Revenues Over/(Under) Expenditures			\$ 20,063,000	5.0%	

Operating Revenues

As of June 30, 2023, actual operating revenues collected were approximately 88.1% of the current amended budget, or \$353.4 million, with operating revenues through fiscal year-end September 30, 2023 projected at \$414.4 million, which is approximately 3.3%, or \$13.2 million, above the current amended budget. As previously mentioned, these projections are not only based on experience during the first nine months of the fiscal year, but also other more current information available.

Property tax collections for FY 2023 are being projected at 95.0% of total property taxes assessed, which is consistent with the original adopted budget and allows for discounts and a level of adjustment for appeals that is consistent with historical levels. The impact of these appeals and adjustments realized for the FY 2023 budget were received in July 2023 when the City received its certified property values from the Miami Dade County Property Appraiser for the upcoming fiscal year.

General Fund revenues by category projected to exceed budget or with significant variances to budget in excess of 10.0%, or \$300,000, are further explained below:

Other Taxes – This category includes franchise taxes from gas and electric, as well as utility taxes from telephone, electricity, and gas and is projected to be above the current amended budget by 6.6%, or \$1.7 million, primarily due to franchise and utility taxes from electricity, gas, and telecommunications trending higher than originally anticipated based on current economic activity.

Licenses and Permits – This category includes business tax receipts, licenses/special use permits, and outdoor dining concession program revenues and is projected to be above the current amended budget by 18.2%, or \$3.4 million, primarily due to increased revenues from the approved outdoor dining concession program that was implemented during FY 2023, as well as fire, planning, and public works plans review services and permits that continue to trend higher than anticipated from ongoing real estate and economic development activity.

Charges for Services – This category includes revenues from the operations of the Miami Beach and Normandy Shores golf courses and Flamingo Park Tennis Center, activities and programs offered by the Parks and Recreation Department such as after school and summer classes, and public safety, passport, ambulance/rescue, and lot clearing services, and is projected to be above the current amended budget by 12.9%, or \$2.0 million, primarily due to the operations of both the Miami Beach and Normandy Shores golf courses, as well as the Flamingo Park Tennis Center, that continue to trend higher than originally anticipated based on current economic and tourism-related activity.

Fines and Forfeits – This category, among other things, includes Fire violations and false alarm fees, Code Compliance fines and violations, and Public Works elevator violations, is projected to be above the current amended budget by 53.1%, or \$671,000, primarily due to code enforcement fines and violations, false alarm fees and violations, and elevator violations trending higher than budget and prior years.

Interest – This category is comprised of various sources of interest income derived from the City's current investments and is projected to be 14.4%, or \$805,000, above the current amended budget due to higher than anticipated interest rates.

Rents and Leases – This category includes revenues from various rentals and leases of City owned properties. FY 2023 revenues are projected to be 7.9%, or \$559,000, above the current amended budget primarily due to revenues from several of the City's leases trending higher than budgeted since revenues that are collected by the City from some of its leases and rentals are based on a percentage of tenants' sales.

Miscellaneous – This category includes revenues from various categories such as reimbursements from the Federal Emergency Management Agency (FEMA) and the State of Florida for emergency aid/services that were provided by the City, chargebacks to capital projects for Capital Improvement Project (CIP) department operations, the sale of City property, various concessions, and other miscellaneous revenues that include beach access fees and advertising. FY 2023 revenues are projected to be 26.4%, or \$4.2 million, above the current amended budget primarily due to reimbursements in excess of approximately \$3.1 million received by the City from FEMA and/or the State of Florida for various hurricanes, including Hurricane Ian that struck the western coast of Florida last year, as well as a \$875,000 public benefit payment related to the vacation of up to 5,500 square feet of Alton Court between Lincoln Road and 17th Street pursuant to the vacation agreement adopted by the City Commission through Resolution No. 2022-32250.

For a detail of General Fund revenues by category, refer to the attached Exhibit A.

Operating Expenditures

As of June 30, 2023, actual expenses were 65.4%, or \$262.5 million, of the current amended budget with operating expenditures through fiscal year-end September 30, 2023 projected at \$394.4 million, which is approximately 1.7%, or \$6.9 million, below the current amended budget.

As previously mentioned, these projections are based on an analysis of the first nine months of the fiscal year, as well as more current information available.

General Fund expenditures by department projected to exceed budget or with significant variances to budget in excess of 10.0%, or \$300,000, are further explained below:

City Attorney – The department is projected to be below the current amended budget by 7.4%, or \$564,000, primarily due to projected savings in personnel services expenditures, resulting from vacant positions in the current fiscal year that the City Attorney's Office is in the process of trying to fill with qualified candidates based on current needs.

City Attorney				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 7,654,000	\$ 7,090,000	\$ (564,000)	-7.4%

Parks & Recreation – The department is projected to be 4.3%, or \$1.9 million, below the current amended budget primarily due to projected savings in personnel services expenditures resulting from numerous budgeted full-time and part-time positions that have been and/or remain vacant in the current fiscal year due to challenges in the recruitment of qualified candidates based on current departmental operating needs.

Parks & Recreation				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 44,067,000	\$ 42,167,000	\$ (1,900,000)	-4.3%

Public Works – The department is projected to be below the current amended budget by 9.1%, or \$1.6 million, resulting from savings anticipated in grounds maintenance services, as well as personnel services expenditures due to numerous vacancies for budgeted full-time positions within the department's Engineering, Streets and Street Lighting, and Greenspace Management divisions due to challenges in the recruitment of qualified candidates based on current departmental operating needs.

Public Works				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 17,021,000	\$ 15,464,000	\$ (1,557,000)	-9.1%

Fire – The department is projected to be above the current amended budget by 3.3%, or \$3.3 million, resulting from additional personnel services expenditures associated with the collective bargaining agreements that were finalized by the City Commission during FY 2023. It is important to note that while the department is projected to exceed its current amended budget, funding totaling approximately \$5.7 million was budgeted in a centralized account within the Citywide Accounts budget to offset the projected impact of the collective bargaining agreements since approval of all the agreements was pending at the time that the FY 2023 budgets were adopted by the City Commission. Should these projections be realized, a budget amendment will be recommended at year-end to realign funding accordingly.

Fire				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 102,036,000	\$ 105,381,000	\$ 3,345,000	3.3%

Citywide Accounts – Citywide Accounts are a category of budgeted expenditures related to the City's overall operations that are not readily identifiable to any specific department. This category of accounts is projected to be 9.7%, or \$2.7 million, below the current amended budget, primarily due to the amount that was allocated for the collective bargaining agreements in the FY 2023 operating budget. As a result of all the collective bargaining agreements being ratified during FY 2023, the projected expenditures associated with the collective bargaining agreements are being accounted for in the appropriate General Fund departments' projections.

Citywide Accounts				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Expenditures	\$ 27,417,000	\$ 24,750,000	\$ (2,667,000)	-9.7%

While the above-listed General Fund departments comprise those projected to exceed their current amended budgets or with variances to budget in excess of 10.0%, or \$300,000, all other General Fund departments are projected to have savings at year-end that may be realigned within the General Fund to address any department overages projected above, should these projections be realized at year-end.

For a detail of General Fund expenditures by department, refer to the attached Exhibit A.

ENTERPRISE FUNDS

The City accounts for those goods and services provided by a particular department to external users for which a fee is charged as Enterprise Funds. The City's Sanitation, Water, Storm Water, Sewer, Parking, Convention Center, and Building operations comprise this category of Proprietary Funds.

An analysis of the actual first nine months of operating expenses for the period October 1, 2022 through June 30, 2023 reveals that all Enterprise Funds have actual expenses that are less than three quarters of their current FY 2023 amended budgets, which is not representative of typical trends for a full fiscal year as there is often a lag in processing of expenditures, particularly those billed by outside entities for services provided.

ENTERPRISE FUNDS							
	Sanitation	Sewer	Storm Water	Water	Parking	Building	Convention Center
FY 2023 Adopted Budget	23,860,000	57,396,000	34,103,000	36,577,000	46,617,000	17,993,000	29,407,000
FY 2023 Amended Budget	24,821,000	59,180,000	36,030,000	39,932,000	47,458,000	18,090,000	29,607,000
3/4 Adopted Budget	17,895,000	43,047,000	25,577,250	27,432,750	34,962,750	13,494,750	22,055,250
3/4 Amended Budget	18,615,750	44,385,000	27,022,500	29,949,000	35,593,500	13,567,500	22,205,250
Revenues as of 06/30/23	18,866,013	46,565,006	26,608,605	30,751,354	39,387,673	14,849,027	9,270,217
Expenditures as of 06/30/23	17,899,881	39,498,451	18,644,667	25,832,217	26,025,207	11,902,303	12,581,123
Expenditures Above/(Below) 3/4 Amended Budget	(715,869)	(4,886,549)	(8,377,833)	(4,116,783)	(9,568,293)	(1,665,197)	(9,624,127)
% Variance	-2.9%	-8.3%	-23.3%	-10.3%	-20.2%	-9.2%	-32.5%

Year-end operating revenue and expenditure projections through September 30, 2023 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. While the actual revenues and expenses presented above are as of June 30, 2023, the year-end projections also incorporate more current information available.

Revenues for all Enterprise Funds are projected to be equivalent to or in excess of expenditures as of year-end and all Enterprise Fund budgets are projected to be under budget, except for the Sanitation and Convention Center Enterprise Funds. For these two funds, both revenues and expenditures are projected to be above their current amended budgets, as further detailed below.

ENTERPRISE FUNDS							
	Sanitation	Sewer	Storm Water	Water	Parking	Building	Convention Center
FY 2023 Adopted Budget	23,860,000	57,396,000	34,103,000	36,577,000	46,617,000	17,993,000	29,407,000
FY 2023 Amended Budget	24,821,000	59,180,000	36,030,000	39,932,000	47,458,000	18,090,000	29,607,000
FY 2023 Projections:							
Charges for Services	23,186,000	60,551,000	35,152,000	39,230,000	49,031,000	18,697,000	23,360,000
Other	2,441,000	2,387,000	1,619,000	2,915,000	2,998,000	434,000	24,577,000
FY 2023 Revenue Projections	25,627,000	62,938,000	36,771,000	42,145,000	52,029,000	19,131,000	47,937,000
\$ Over/(Under) Amended Budget	806,000	3,758,000	741,000	2,213,000	4,571,000	1,041,000	18,330,000
% Over/(Under) Amended Budget	3.2%	6.4%	2.1%	5.5%	9.6%	5.8%	61.9%
FY 2023 Expenditure Projections	25,095,000	59,058,000	35,811,000	39,637,000	45,306,000	17,071,000	31,680,000
\$ Over/(Under) Amended Budget	274,000	(122,000)	(219,000)	(295,000)	(2,152,000)	(1,019,000)	2,073,000
% Over/(Under) Amended Budget	1.1%	-0.2%	-0.6%	-0.7%	-4.5%	-5.6%	7.0%
Revenues Over/(Under) Expenditures	532,000	3,880,000	960,000	2,508,000	6,723,000	2,060,000	16,257,000

Sanitation – The Sanitation Fund budget is projected to be 1.1%, or \$274,000, above the current amended budget primarily due to increased personnel costs resulting from additional late night cleaning services that are being provided in the Art Deco Cultural District (ADCD) and a significant increase in the number of special events taking place compared to previous years. Although expenditures are projected to exceed the current amended budget, additional revenues are projected to offset the projected overage in expenditures, should these projections be realized at year-end.

Convention Center – The Convention Center Fund budget is projected to be above the current amended budget by approximately \$2.1 million, or 7.0%, primarily due to an increase in the number of events from 44 that were originally anticipated for FY 2023 when the budget was developed to 67 currently projected for the current fiscal year. Although expenditures are projected to exceed the current amended budget due to the increase in the number of events, revenues are also projected to exceed the current amended budget resulting in a projected surplus of approximately \$16.3 million that would be available to be set aside for renewal and replacement of Convention Center assets and/or future operating and other expenditure obligations, if realized at year-end. Note, while a portion of the projected surplus is directly attributed to the increase in revenues from the additional events currently projected for the current fiscal year, a significant portion is attributed to a Convention Development Tax (CDT) bonus of \$14.8 million that is anticipated to be received by the City for FY 2023 from a portion of the Convention Development Tax receipts collected by Miami-Dade County in accordance with the Amended Interlocal Cooperation Agreement that was adopted by the City Commission, through Resolution No. 2014-28836. Due to changes in the scheduling of events, the surplus projected as of the third quarter may vary as of year-end; therefore, the Convention Center Fund's operations will continue to be monitored over the coming months.

These projections will continue to be refined further as additional information becomes available.

INTERNAL SERVICE FUNDS

The City accounts for goods and services provided by one department to other departments citywide on a cost reimbursement basis as Internal Service Funds. Central Services, Fleet Management, Information Technology, Property Management, Risk Management (Self Insurance), Medical and Dental, and the Office of the Inspector General comprise this category of Proprietary Funds.

An analysis of the actual first nine months of operating revenues and expenses for the period October 1, 2022 through June 30, 2023 reveals that all Internal Service Funds have actual expenses that are less than three quarters of their current FY 2023 amended budgets. Similar to the Enterprise Funds, this is not representative of typical trends for a full fiscal year as there is often a lag in processing of expenditures, particularly those billed by outside entities for services provided.

INTERNAL SERVICE FUNDS							
	Central Services	Fleet Management	Information Technology	Inspector General	Property Management	Risk Management	Medical & Dental Insurance
FY 2023 Adopted Budget	1,044,000	17,761,000	19,821,000	1,726,000	12,072,000	23,846,000	46,159,000
FY 2023 Amended Budget	1,064,000	24,928,000	20,694,000	2,180,000	12,849,000	26,162,000	46,159,000
3/4 Adopted Budget	783,000	13,320,750	14,865,750	1,294,500	9,054,000	17,884,500	34,619,250
3/4 Amended Budget	798,000	18,696,000	15,520,500	1,635,000	9,636,750	19,621,500	34,619,250
Revenues as of 06/30/23	805,549	9,126,381	14,156,149	1,300,906	8,950,366	20,106,569	32,289,078
Expenditures as of 06/30/23	669,339	8,794,124	13,663,803	1,206,425	7,793,578	18,353,959	30,878,442
Expenditures Above/(Below) 3/4 Amended Budget	(128,661)	(9,901,876)	(1,856,697)	(428,575)	(1,843,172)	(1,267,541)	(3,740,808)
% Variance	-12.1%	-39.7%	-9.0%	-19.7%	-14.3%	-4.8%	-8.1%

Year-end operating revenue and expenditure projections through September 30, 2023 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. While the actual revenues and expenses presented above are as of June 30, 2023, the year-end projections also incorporate more current information available.

Revenues for all Internal Service Funds are projected to be equivalent to expenditures as of year-end. In addition, all Internal Service Fund expenditures are projected to be under budget, except for the Risk Management Fund that is further detailed below.

INTERNAL SERVICE FUNDS							
	Central Services	Fleet Management	Information Technology	Inspector General	Property Management	Risk Management	Medical & Dental Insurance
FY 2023 Adopted Budget	1,044,000	17,761,000	19,821,000	1,726,000	12,072,000	23,846,000	46,159,000
FY 2023 Amended Budget	1,064,000	24,928,000	20,694,000	2,180,000	12,849,000	26,162,000	46,159,000
FY 2023 Projections:							
Charges for Services	1,008,000	16,730,000	18,565,000	1,724,000	11,794,000	22,721,000	0
Other	40,000	7,913,000	1,834,000	433,000	826,000	5,792,000	45,410,000
FY 2023 Revenue Projections	1,048,000	24,643,000	20,399,000	2,157,000	12,620,000	28,513,000	45,410,000
\$ Over/(Under) Amended Budget	(16,000)	(285,000)	(295,000)	(23,000)	(229,000)	2,351,000	(749,000)
% Over/(Under) Amended Budget	-1.5%	-1.1%	-1.4%	-1.1%	-1.8%	9.0%	-1.6%
FY 2023 Expenditure Projections	1,048,000	24,643,000	20,399,000	2,157,000	12,620,000	28,513,000	45,410,000
\$ Over/(Under) Amended Budget	(16,000)	(285,000)	(295,000)	(23,000)	(229,000)	2,351,000	(749,000)
% Over/(Under) Amended Budget	-1.5%	-1.1%	-1.4%	-1.1%	-1.8%	9.0%	-1.6%
Revenues Over/(Under) Expenditures	0	0	0	0	0	0	0

Risk Management – The City's actuary has advised that the Risk Management Fund is projected to be 9.0%, or \$2.4 million, above the current amended budget primarily due to

unforeseen increases in claims incurred but not reported (IBNR) and case reserves that are trending higher than originally budgeted for the current year based on the most recent actuarial forecasts. This material change in the City's tort liability exposure in the current year may be largely due to the impacts of HB 837, the comprehensive Tort Reform bill that Governor DeSantis signed into law and which took effect on March 24, 2023. Specifically, just before the law went into effect, the City experienced a wave of approximately 30 new tort cases filed against the City on March 21, 2023, March 22, 2023, and March 23, 2023, including, without limitation, a wrongful death action. This extraordinary, one-time surge in case filings was consistent with the statewide increase in tort case filings by plaintiffs seeking to avoid the application of the new law before it went into effect. Since claims can fluctuate, these trends will continue to be monitored over the coming months and the projections for the current year will be refined accordingly. If the trend continues at the current level for the remainder of the fiscal year, any overage realized at year-end will be addressed with the use of prior year fund balance in the Risk Management Fund that includes in excess of \$40.0 million projected to be set aside for claims IBNR and case reserves in accordance with City's self-insurance obligations arising under GASB standards and Florida law. In the long-term, the City anticipates that it will benefit from the prospective limitations set forth in the new Tort Reform bill, and that the new law will reduce the City's tort liability exposure over time.

These projections will continue to be refined as additional information becomes available.

SPECIAL REVENUE FUNDS

Special Revenue Funds consist of revenues and expenditures which are legally restricted or committed for specific purposes, other than debt service and/or capital projects. Special Revenue Funds include Resort Tax, as well as Transportation and People's Transportation Plan (PTP) Fund operations, 7th Street Garage operations, 5th & Alton Garage operations, the Tourism and Hospitality Scholarship Program, Information and Communications Technology Fund, Education Compact Fund, Franchise Waste Haulers and Sustainability Contributions, the Residential Housing Program, Red Light Camera Program operations, Emergency 911 Fund, Miami Beach Cultural Arts Council, Normandy Shores and the City's three Security Guard Special Taxing Districts (Biscayne Point, Biscayne Beach, and Allison Island), Miami City Ballet, Art in Public Places (AiPP) operations, Tree Preservation and Commemorative Tree Trust Fund, Beachfront Concession Initiatives Program, Beach Renourishment, Resiliency, Sustainability and Resiliency, and Biscayne Bay Protection Trust Funds, Police Unclaimed Property and Crash Report Sales Funds, Police Confiscation Trust Funds (Federal and State), Police Training and School Resources Fund, and the Adopt-a-Bench and Brick Paver Programs.

An analysis of the actual first nine months of operating revenues and expenses for the period October 1, 2022 through June 30, 2023 reveals that all Special Revenue Funds have actual expenses that are less than three quarters of their current FY 2023 amended budgets which is not typically representative of trends for a full fiscal year since there are expenditures that are typically incurred in the latter part of the fiscal year, except for the 5th & Alton Garage Fund that has incurred additional costs from operations during the first nine months of the fiscal year.

Year-end operating revenue and expenditure projections through September 30, 2023 provide a more realistic indication of any anticipated year-end surpluses or shortfalls as of this point in time. While the actual revenues and expenses presented above are as of June 30, 2023, the year-end projections also incorporate more current information available.

Revenues for all Special Revenue Funds are projected to be equivalent to or in excess of expenditures as of year-end. In addition, all Special Revenue Funds are projected to be below

their current amended budgets, except for the 5th & Alton Garage Fund and Biscayne Point Special Taxing District that are further detailed below.

5th & Alton Garage Fund – This fund is projected to be 7.5%, or \$63,000, above its current amended budget. This is primarily attributed to an increase in the level of operations taking place at this garage from what was originally anticipated for the current fiscal year. Although this fund is projected to exceed the current amended budget, the additional expenditures are projected to be offset by additional revenues projected from operations, available fund balance, and a contribution from the Parking Enterprise Fund, if necessary, should these projections be realized at year-end.

5th & Alton Garage				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Revenues	\$ 844,000	\$ 907,000	\$ 63,000	7.5%
Expenditures	\$ 844,000	\$ 907,000	\$ 63,000	7.5%
Surplus/(Shortfall)	\$ 0	\$ 0	\$ 0	

Biscayne Point Special Taxing District – The Biscayne Point Special Taxing District is projected to be 4.3%, or \$10,000, above the current amended budget primarily due to unforeseen costs incurred for repairs that were performed and improvements that were completed in the security guardhouse during the current fiscal year, as well as increases in the rates for contracted security guard services. Although this District is projected to exceed its current amended budget, additional expenditures are projected to be offset using a combination of available fund balance and an increase in the assessment levied annually for the operation of this District should these projections be realized at year-end.

Biscayne Point Special Taxing District				
	FY 2023 Amended Budget	FY 2023 Projected	Projected vs Amended Budget Variance	% Over / (Under)
Revenues	\$ 230,000	\$ 240,000	\$ 10,000	4.3%
Expenditures	\$ 230,000	\$ 240,000	\$ 10,000	4.3%
Surplus/(Shortfall)	\$ 0	\$ 0	\$ 0	

RESORT TAX FUND

The City's Resort Tax Fund is primarily supported by taxes collected pursuant to Chapter 67-930 (Section 6) of the Laws of Florida, as amended, and Section 5.03 of the City of Miami Beach Charter, as amended. This legislation authorizes the use of Resort Taxes for the promotion of the tourism industry, which includes, but is not restricted to the following: Publicity, advertising, news bureau, promotional events, convention bureau activities, capital improvements and the maintenance of all physical assets in connection therewith; and for the payment of the reasonable and necessary expenses of collecting, handling, and processing of said tax.

Typically, the City has considered the following services as "Services Related to the Promotion of Tourism:"

- Police Officers serving entertainment areas
- A portion of Fire Rescue services from Fire Stations 1 & 2
- Ocean Rescue services

- Sidewalk pressure cleaning in South, Middle and North Beach visitor areas
- South Beach sanitation
- Enhanced Code Compliance/Enforcement provided to respond to evening entertainment area violations and staffing of special events
- Other Code Compliance/Enforcement activities in tourism and visitor related facilities/areas
- Tourism and Cultural Development Department and the Cultural Arts Council
- Museums and Theatres (Garden Center, Bass Museum, Colony and Byron Carlyle Theatres)
- Golf courses (net of revenues)
- Memorial Day and other special event costs
- Homeless services
- July 4th, Visitor Center funding, Holiday Lights, MDPL, Orange Bowl, etc.

These allowable uses have led to increased tourism-related activities, such as special events including Art Basel and the Air and Sea Show.

2% Resort Tax

Based on the first nine months of actual collections, total two percent Resort Tax revenues for FY 2023 are projected to be 8.9%, or approximately \$6.8 million, above the current amended budget as of year-end, with the remaining months in the current fiscal year conservatively projected at approximately 93.0% of FY 2022 collections based on current year trends.

The total two percent Resort Tax expenditures are projected to be 0.3%, or \$194,000, above the current amended budget as of year-end due to a \$736,000 increase in the combined contributions to the Miami Beach Visitor and Convention Authority (VCA) and Greater Miami Convention & Visitors Bureau (GMCVB) that are based on a percentage of two percent Resort Tax collections and projected to be above budget. This is, however, partially offset by a combined savings projected of \$542,000 in high impact periods expenditures for Police, as well as personnel-related savings from several vacancies that specific departments funded by the Resort Tax Fund are in the process of trying to fill and other miscellaneous operating expenditures.

1% Resort Tax (Quality of Life)

The proceeds of the one percent bed tax, as adopted through Resolution No. 2018-30512, and continuing in FY 2023, unless amended by the City Commission, are to be utilized as follows: 60% allocated for Transportation initiatives in tourist-related areas; 10% allocated equally among North Beach, Middle Beach and South Beach for capital projects that enhance Miami Beach's tourist related areas; and 10% allocated to various arts and cultural programs.

One percent bed tax revenues are projected to be 8.3%, or \$1.4 million, above the current amended budget as of year-end. Since transfers for Transportation initiatives in tourism-related areas, North, Middle, and South Beach quality of life projects, and the Cultural Arts Council (CAC) for various arts and cultural programs are based on the one percent bed tax revenue collections, expenditures are equally projected to be 8.3%, or \$1.4 million, above the current amended budget as of year-end, of which approximately \$862,000 is allocated to Transportation initiatives in tourism-related areas, \$432,000 is allocated to North, Middle, and South Beach quality of life projects equally, and \$144,000 is allocated to the CAC for various arts and cultural programs.

1% Resort Tax (Convention Center)

The proceeds of the additional one percent bed tax levied solely for the purposes of expanding, enlarging, renovating, and/or improving the Miami Beach Convention Center, including debt service related thereto, as well as providing Capital Renewal and Replacement funding for the Miami Beach Convention Center, are similarly projected to be 8.3%, or \$1.4 million, above the current amended budget as of year-end. Since the proceeds of the additional one percent bed tax must first provide for the payment of debt service and any excess, based on proceeds, be set aside for Capital Renewal and Replacement funding for the Miami Beach Convention Center, additional one percent bed tax expenditures are also projected to be 8.3%, or \$1.4 million, above the current amended budget as of year-end.

Total Resort Tax

Overall, due to actual Resort Tax collections exceeding budget for the nine months of the fiscal year and collections for the remaining months of the current fiscal year conservatively projected at approximately 93.0% of FY 2022 collections based on trends, combined Resort Tax revenues are projected to be 8.7%, or \$9.7 million, above the current amended budget as of year-end while expenditures are projected to be 2.8%, or \$3.1 million, above the current amended budget as of year-end resulting in a projected surplus of approximately \$6.6 million, which the City Administration recommends be set aside to fund additional tourism-eligible expenditures in the General Fund and required reserve levels and reserve targets.

RESORT TAX FUND							
	FY 2023 Adopted Budget	FY 2023 Amended Budget	Actuals as of 06/30/23	% Actual of Amended Budget	FY 2023 Year End Projections	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
Revenues							
2% Resort Tax	71,499,000	71,499,000	58,173,993	81.4%	76,614,000	5,115,000	7.2%
Miscellaneous Revenues	251,000	251,000	1,298,345	517.3%	1,920,000	1,669,000	664.9%
Fund Balance/Retained Earnings/PY Surplus	3,955,000	4,819,000	0	0.0%	4,819,000	0	0.0%
1% Resort Tax (QOL)	17,372,000	17,372,000	14,177,767	81.6%	18,810,000	1,438,000	8.3%
Additional 1% Resort Tax for Convention Center	17,372,000	17,372,000	14,177,767	81.6%	18,810,000	1,438,000	8.3%
Total Revenues	110,449,000	111,313,000	87,827,872	78.9%	120,973,000	9,660,000	8.7%
Expenditures							
General Fund Contribution	39,227,000	39,227,000	29,420,250	75.0%	39,227,000	0	0.0%
Sanitation Fund Contribution	3,969,000	3,969,000	2,976,750	75.0%	3,969,000	0	0.0%
Contribution to GMCVB	8,864,000	8,864,000	5,295,152	59.7%	9,355,000	491,000	5.5%
Contribution to VCA	3,433,000	3,433,000	2,441,788	71.1%	3,678,000	245,000	7.1%
Contribution to Mt. Sinai	1,000,000	1,000,000	0	0.0%	1,000,000	0	0.0%
Other Operating/Other Uses	19,002,000	19,740,700	12,926,939	65.5%	19,278,000	(462,700)	-2.3%
Marketing	210,000	335,300	70,892	21.1%	256,000	(79,300)	-23.7%
Transfer to NB, MB, SB Capital, Transp. and Arts (QOL)	17,372,000	17,372,000	14,177,767	81.6%	18,810,000	1,438,000	8.3%
Add'l 1% Conv. Center Debt Service & Cap. Ren & Repl.	17,372,000	17,372,000	0	0.0%	18,810,000	1,438,000	8.3%
Total Expenditures	110,449,000	111,313,000	67,309,538	60.5%	114,383,000	3,070,000	2.8%
Excess of Revenues Over/(Under) Expenditures	0	0	20,518,334		6,590,000	6,590,000	

CONCLUSION

All General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds budgets are projected to be at or below their current amended budgets as of year-end with revenues projected to be equivalent to or in excess of expenditures, except for specific General Fund departments, the Sanitation and Convention Center Enterprise Funds, the Risk Management Internal Service Fund, and the 5th & Alton Garage and Biscayne Point Special Taxing District Special Revenue Funds that were detailed in the analysis above.

The current year budgets will continue to be proactively monitored between now and the development of the year-end projections, as well as during the finalization of the FY 2024 budgets, and any material variances will be disclosed and discussed at upcoming Finance and Economic Resiliency Committee (FERC) and/or City Commission meetings.

ATH/JG/TOS

EXHIBIT A

GENERAL FUND							
	FY 2023 Adopted Budget	FY 2023 Amended Budget	Actuals as of 06/30/23	% Actual of Amended Budget	FY 2023 Year End Projection	Over/(Under) Amended Budget	% Over/(Under) Amended Budget
REVENUES							
Ad Valorem Taxes	220,605,000	220,605,000	219,890,647	99.7%	220,605,000	0	0.0%
Ad Valorem Taxes - Pay-As-You-Go Capital	3,974,000	3,974,000	3,974,000	100.0%	3,974,000	0	0.0%
Ad Valorem Taxes - Capital Renewal & Replacement	1,944,000	1,944,000	1,944,000	100.0%	1,944,000	0	0.0%
Ad Valorem Taxes - Normandy Shores	282,000	282,000	282,000	100.0%	282,000	0	0.0%
Other Taxes	25,010,000	26,660,000	18,696,017	70.1%	28,409,000	1,749,000	6.6%
Licenses and Permits	18,040,000	18,843,000	18,703,165	99.3%	22,279,000	3,436,000	18.2%
Intergovernmental	14,175,000	14,225,000	9,363,987	65.8%	14,019,000	(206,000)	-1.4%
Charges for Services	14,489,000	15,681,000	14,694,548	93.7%	17,697,000	2,016,000	12.9%
Fines and Forfeitures	1,264,000	1,264,000	1,551,067	122.7%	1,935,000	671,000	53.1%
Interest	5,577,000	5,577,000	6,291,946	112.8%	6,382,000	805,000	14.4%
Rents and Leases	6,967,000	7,067,000	5,794,820	1.0%	7,626,000	559,000	7.9%
Miscellaneous	15,566,000	15,753,000	12,848,634	81.6%	19,906,000	4,153,000	26.4%
Other-Resort Tax Contribution	39,227,000	39,227,000	29,420,250	75.0%	39,227,000	0	0.0%
Other-Non-Operating Revenues	13,905,000	13,905,000	10,022,250	72.1%	13,905,000	0	0.0%
Fund Balance/Retained Earnings/PY Surplus	1,593,000	16,239,000	0	0.0%	16,239,000	0	0.0%
TOTAL REVENUES	382,618,000	401,246,000	353,477,332	88.1%	414,429,000	13,183,000	3.3%
EXPENDITURES							
Mayor & Commission	2,809,000	2,809,000	1,961,304	69.8%	2,743,000	(66,000)	-2.3%
City Manager	4,290,000	4,290,000	2,856,988	66.6%	4,108,000	(182,000)	-4.2%
Marketing and Communications	2,913,000	2,983,000	1,875,442	62.9%	2,973,000	(10,000)	-0.3%
Office of Management and Budget	1,678,000	1,678,000	1,044,229	62.2%	1,488,000	(190,000)	-11.3%
Org. Dev Performance Initiatives	1,944,000	3,356,000	1,103,369	32.9%	3,265,000	(91,000)	-2.7%
Finance	7,768,000	8,042,000	5,517,949	68.6%	7,935,000	(107,000)	-1.3%
Procurement	3,015,000	3,101,000	2,018,203	65.1%	2,877,000	(224,000)	-7.2%
Human Resources/Labor Relations	3,124,000	3,124,000	2,046,886	65.5%	2,933,000	(191,000)	-6.1%
City Clerk	1,914,000	2,081,000	1,308,595	62.9%	2,052,000	(29,000)	-1.4%
City Attorney	7,010,000	7,654,000	4,606,468	60.2%	7,090,000	(564,000)	-7.4%
Housing & Community Services	4,291,000	6,148,000	2,558,437	41.6%	5,853,000	(295,000)	-4.8%
Planning	5,790,000	6,074,000	3,658,153	60.2%	5,786,000	(288,000)	-4.7%
Environment & Sustainability	2,139,000	2,386,000	758,761	31.8%	2,329,000	(57,000)	-2.4%
Tourism and Culture	3,566,000	3,661,000	2,521,118	68.9%	3,645,000	(16,000)	-0.4%
Economic Development	2,571,000	2,993,000	1,199,649	40.1%	2,881,000	(112,000)	-3.7%
Code Compliance	6,872,000	6,886,000	4,965,993	72.1%	6,734,000	(152,000)	-2.2%
Parks & Recreation (including Golf courses)	42,998,000	44,067,000	27,376,159	62.1%	42,167,000	(1,900,000)	-4.3%
Property Management	3,698,000	3,848,000	2,624,629	68.2%	3,719,000	(129,000)	-3.4%
Public Works	16,086,000	17,021,000	10,737,428	63.1%	15,464,000	(1,557,000)	-9.1%
Capital Improvement Projects	5,838,000	6,003,000	3,887,409	64.8%	5,504,000	(499,000)	-8.3%
Police	130,195,000	133,588,000	94,387,631	70.7%	132,689,000	(899,000)	-0.7%
Fire	100,220,000	102,036,000	76,317,641	74.8%	105,381,000	3,345,000	3.3%
Citywide (net of individual items below):	15,389,000	19,817,000	6,105,353	30.8%	17,150,000	(2,667,000)	-13.5%
Normandy Shores	282,000	282,000	0	0.0%	282,000	0	0.0%
Capital Renewal & Replacement	1,944,000	1,944,000	0	0.0%	1,944,000	0	0.0%
Info & Comm Technology Fund	300,000	300,000	0	0.0%	300,000	0	0.0%
Capital Reserve Fund	0	1,100,000	1,100,000	100.0%	1,100,000	0	0.0%
Pay-As-You-Go Capital Fund	3,974,000	3,974,000	0	0.0%	3,974,000	0	0.0%
TOTAL EXPENDITURES	382,618,000	401,246,000	262,537,794	65.4%	394,366,000	(6,880,000)	-1.7%
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	0	0	90,939,538	22.7%	20,063,000	20,063,000	