



City of Miami *Springs*

Popular Annual Financial Report for Fiscal Year ended September 30, 2013



About this Financial Report

As part of our continuous effort to keep you informed on how your tax dollars are being spent, we are pleased to present the 2013 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the 2013 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting

Principles (GAAP) and includes the City's financial statements audited by Alberni, Caballero, & Company, LLP.

Unlike the CAFR, the PAFR is un-audited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the presentation of individual funds, as well as full disclosure of all material events, financial and non-financial, in notes to the financial statements. Copies of the CAFR and PAFR are available for public viewing at City Hall and online at www.miamisprings-fl.gov.



Highlights of Fiscal Year FY 2013

During the February 24, 2014 Council meeting, the City's external auditors, Alberni, Caballero, and Company, L.L.P. presented the City Council with the FY2013 CAFR which showed the City reported a strong unreserved fund balance in the General Fund of \$3.7 million.

For FY 2013, the City's total property tax rate was 6.9950 and was one of the lowest rates in the past eleven years. Further, the total property tax rate for the City has been reduced by 20% from a high of 8.7440

in FY2003 to the aforementioned 6.9950 in FY 2013.

The City's external auditors also reported that the annual financial condition assessment required by the State of Florida Auditor General showed the City rated as "Inconclusive" for FY2013. This was the same rating received in FY2012. The "inconclusive" rating is a result of the City using its unreserved fund balance during the few years for planned infrastructure improvements and to lower taxes for our residents.

Financial Highlights

■ The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$27.3 million (net position). \$2.3 million of this (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

■ The City's total net position decreased by \$398,675 from \$27,685,650 in FY2012 to \$27,286,975 in FY2013. The decrease is attributable to the overall decrease of \$217,153 from the City's business-type activities, coupled with a decrease of \$181,523 in net position of the governmental activities.

■ During the year, the City had expenses that were \$1,195,568 higher than the \$14.8 million generated in tax and other revenues for governmental funds.

■ The business type activities for the City recognized an operating loss (before non-operating revenues, expenses, and transfers) of \$214,018.

■ Total cost of all of the City's programs decreased by approximately \$1.2 million or 9.8% with no new programs added this year. The decrease was due to decreases in payroll and operating costs, as well as a capital contribution from Miami Springs Properties, Inc. (a blended component unit) of the City.

■ The General Fund's fund balance decreased by \$702,123 for the fiscal year ended September 30, 2013; this decrease was a result of additional appropriations made by Council during the year.

■ At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$3 million, or 21.5% of total general fund expenditures. The committed fund balance was

\$577,316 which represents future costs related to pool shoring and hurricane contingency.

■ The City's total debt decreased by approximately \$549,624 or 11.9% (net of principal payments on existing debt). This reduction was due primarily to principal payments during the year.

Types of Funds

Governmental Funds

■ The **General Fund** accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.

■ **Special Revenue Funds** account for proceeds of specific revenue sources that are legally restricted for specific purposes. (E.g. streets and schools). The City of Miami Springs has four special revenue funds, Road & Transportation, Senior Center, Miami Springs Properties, Inc. (a component unit) and the Law Enforcement Trust Fund.

■ **Debt Service Funds** account for the payment of principal and interest on long term debt. Revenues for these funds are from non-ad-valorem taxes pledged specifically to repay certain outstanding notes (e.g. Golf Course and Country Club Note and the Community Center Note).

■ **Capital Projects Funds** account for the financial resources used for the construction and/or acquisition of major capital facilities. The City has one capital projects fund.

Enterprise Funds

■ **Enterprise Funds** account for activities the City operates similar to private businesses. The City operated two enterprise funds during FY2013: Sanitation and Stormwater.

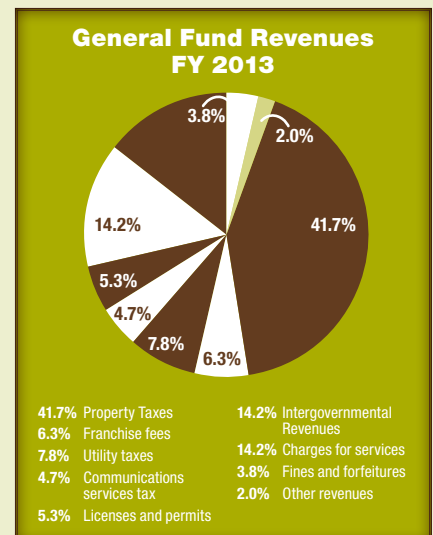
The PAFR will focus on the one fund of most importance to the citizens: the General Fund, since this is the fund where ad valorem property taxes are received and appropriated.

The General Fund

General Fund Revenues

As compared to FY 2012, total General Fund revenues increased by \$368,018 or 2.7% in FY 2013. Licenses and permits, Intergovernmental, and Fines and forfeitures accounted for the bulk of the increases. Licenses and permits increased by \$252,259 or 51.7% due in part to higher building permit activity in FY2013 versus FY2012. Intergovernmental increased by \$101,635 or 5.4% due to higher revenue sharing of sales taxes from the State of Florida. Fines and forfeitures increased by \$71,047 or 15.6% due to the red light cameras in the city during FY2013. These increases were offset by decreases in various other revenue sources; Charges for services decreased by \$117,705 or 5.6% due to decreased golf course revenues during FY2013.

Where does the money come from? \$14 million Total Revenue:



Property Taxes (\$5.8 million or 41.7%)

Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2013 was 6.9950 or \$6.9950 per \$1,000 of assessed property value. This millage was a 3.8% increase from the 6.7400 millage assessed in FY2012.

Intergovernmental Revenues (\$2.0 million or 14.2%)

These revenues consist of payments received from the State of Florida in the form of shared tax revenues. The largest payments in this category are sales tax revenue sharing payments from the State.

Charges for services (\$2.0 million or 14.2%)

These revenues consist of charges by the city for services such as recreation, golf, and city hall administrative fees. The decrease was due to lower revenues at the golf course due to less activity while the greens and fairways were being improved.

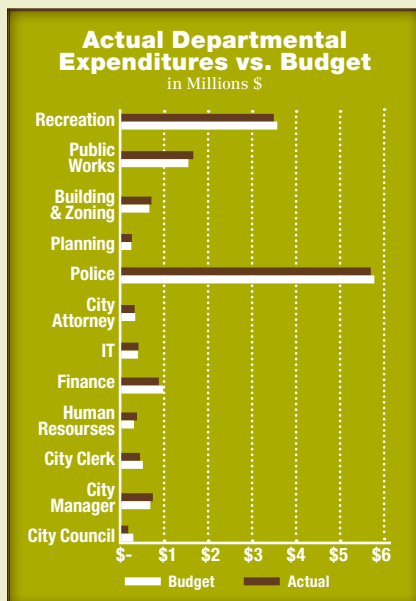
Utility Fees (\$1.1 million or 7.8%)

These revenues consist of payments to the City of its 10% utility tax on electricity, water, and gas systems. The largest payments in this category are electricity utility taxes received from Florida Power and Light.

General Fund Expenditures

General Fund expenditures totaled \$14 million, or \$45,812 under final budget. Expenditures in the General Fund increased by 0.3% over the previous fiscal year (the increase was attributable to the increases in pension and workmen's compensation costs) and most departments came in under final budget. This favorable result is typical for the City of

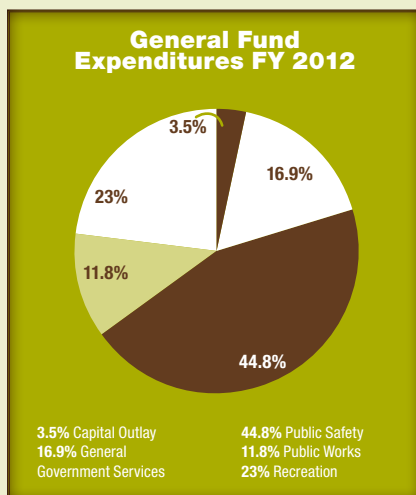
Miami Springs and results from the Administration's active use of the budget to control expenditures.



During the year, the General Fund also provided \$641,062 in transfers to other funds; the City transferred \$507,062 to the Debt Service fund and \$134,000 for the senior center.

Where does the money go?

\$14 million Total Expenditures:

**Public Safety (\$6.3 million or 44.8%)**

Expenditures include personnel and operating expenses to maintain the City's police force, building and zoning, and code compliance.

Recreation (\$3.2 million or 23%)

Expenditures include personnel and operating expenses to maintain the City's recreation department and the golf course operation.

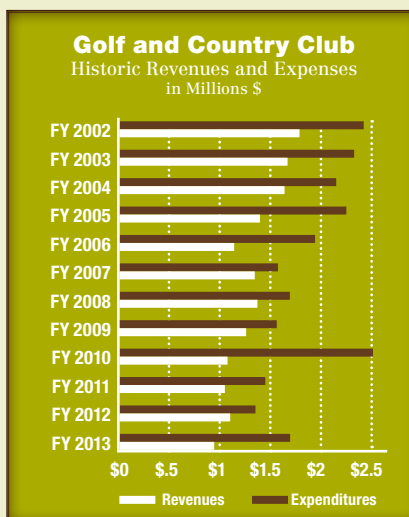
General Government (\$2.4 million or 16.9%)

Expenditures include personnel and operating expenses of the Council, City Clerk, City Attorney, City Manager, Finance, Planning, Human Resources and Information Technology.

The Golf Operation was made a part of the Recreation Department within the General Fund during a prior year. However, in order to provide all interested parties with an overview of the operating results for the golf course, we have prepared the following synopsis of the operations for FY2013:

The Golf Course Operation

Revenues for the City's golf course operations were \$970,096 or 9.8% lower than the \$1,074,920 reported in FY2012. The decrease in revenues was attributable to the amount of work performed on the greens and fairways in order to improve the condition of the course. Expenditures for FY2013 were \$1,662,100 or 22% higher than the \$1,361,376 for FY2012. The Golf and Country Club Fund



had a net loss before transfers of \$692,004 for the fiscal year ended September 30, 2013 mainly due to the costs incurred in improving the course conditions. This deficit was funded by the General Fund.

Fund Balance

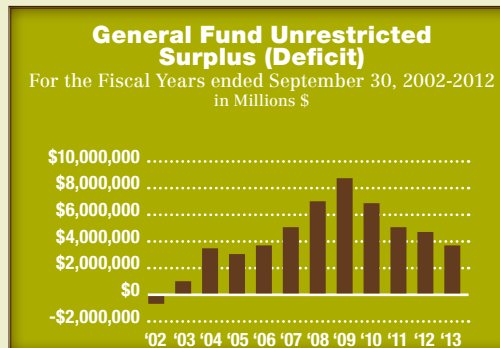
The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$3.7 million, as compared with \$4.4 million in the prior year.

What does Fund Balance mean? A fund balance is defined as the difference between total assets and total liabilities. Total assets are the resources the City can use to pay bills; whereas total liabilities are the obligations that the City has to pay within a fiscal year. The fund balance is separated into five components. Non-spendable, restricted, committed, and assigned are set aside for specific purposes. Unassigned fund balance provides working capital for the City and is used for all other spendable purposes including infrastructure improvements, and future uncertainties.

The breakdown of fund balance classifications is as follows:

- Unassigned fund balance was \$3.0 million compared to \$3.4 million in FY2012; the decrease was due to using approximately \$400,000 of fund balance this year to balance the FY2013 budget without having to increase the millage rate to our residents.

- Committed was \$577,316 compared to \$847,222 million in FY2012; the decrease was due to some of the commitments being used during the current year.
- Non-spendable was \$133,812 compared to \$135,960 last year. Over the past 10 years, the City's unreserved General Fund balance



has steadily increased from a deficit of approximately \$300,000 to a surplus of \$3.7 million in FY2013. Our current fund balance of \$3,692,341 represents almost 27% of budgeted expenditures.

Government Finance Officers Association's (GFOA) generally accepted guidelines recommends that a government maintain at least 15-20% of their general fund budgeted expenditures as "reserves", OUR CITY MAINTAINS A MINIMUM RESERVE OF 25% because we are in a hurricane prone area.

Business-type Activities (Sanitation and Stormwater Funds)

For FY 2013, there was a decrease of approximately \$449,073 in unrestricted net assets reported in connection with the City's business-type activities. Total net assets of the business-type activities reported a decrease of \$217,153 from the prior year. Key elements of this decrease were as follows:

- The operating loss for all business-type activities was \$214,018.

- The sanitation operation posted an operating loss of \$36,583. As was the case last year, this operation was self supporting and did not require a general fund subsidy.
- The stormwater utility operation posted a loss of \$177,435. This loss was funded with available net assets.

Revenues from the City's business-type activities decreased 3.3% to \$2.5 million and expenses increased 2.3% to \$2.74 million. Factors contributing to these results included:

- Operating expenses for the business-type activities increased by \$68,491 or 2.5% from FY2012 mainly due to increased operating, dumping, and administrative costs.
- Sanitation fees have not been increased in over three years while operating costs have significantly increased during the same period.



Economic Growth

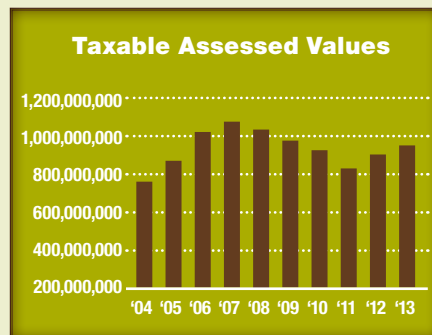
During the past few years, various State tax initiatives have been passed in order to lower property taxes throughout the State. The housing crisis of 2008 also had a negative impact on the assessed property values within our City.

However, during 2013, property values increased to \$910,262,509 or an increase of approximately \$60 million or 7.0% from the \$850,332,982 in final taxable value for the prior fiscal year. This is an indication that the decreases in property values experienced during the last few years have started to level off. In addition to the future of assessed valuations discussed above, the City faces other challenges for the Fiscal Year 2013-2014 budget. First, the poor condition of the golf course has had a negative impact on revenues at the City's golf course operation. This required a significant general fund subsidy for 2013 of approximately \$692,000, and a \$708,000 subsidy budgeted for FY2013-14. The City is also working with the Miami-Dade County Department of Resource Management (DERM) in order to establish a phased in plan over the next few years that will bring the City's golf course in compliance with their requirements. It is not known at this time what the total cost of this project will be but the City is beginning to plan its reserves accordingly in order to fund these costs.

In Fiscal Year 2012, the City's two pension boards received a recommendation, which they voted to accept, from the City's actuaries that certain pension assumptions should be changed during the next five years. These changes, along with the investment losses of prior years, have resulted in a significant increase in pension contributions for the City. For the first time in the City's history, the pension contribution for Fiscal Year 2012-2013 exceeded \$1 million dollars, and is expected to continue increasing unless changes are instituted. In order to address increasing pension costs,

the City hired a pension attorney to assist in developing pension alternatives that will hopefully decrease future pension costs.

The Administration's efforts in prior years to increase the City's reserves provided the City with an adequate reserve fund that has been used to fund various infrastructure projects that our aging city required, as well as equipment replacement city-wide. The City continues to concentrate efforts on reducing expenditures and/or increasing efficiencies in order to meet the challenges described above. The City has outsourced some operations during the past few years that resulted in cost reductions and increased efficiency. The chart below shows the changes in assessed property values for the past ten years:



Long Term Debt Capital Improvement Refunding Revenue Note- Series 2010 (nontaxable)

On September 2, 2010, the City issued the Capital Improvement Refunding Revenue Note Series 2010 in an amount of \$2,435,812 with SunTrust Bank. The proceeds were used to refund the \$2.5 Million Capital Improvement Revenue Note (series 2008) with SunTrust Bank. The refunding note has a fixed interest rate of 3.81%, is payable in monthly installments of \$15,616 and matures on September 30, 2028. The refunding note is payable

solely from and secured by the City's ½ cent sales tax revenues. The City achieved a cash flow difference and an economic gain of approximately \$390,000 as a result of the refunding. The balance on September 30, 2013 was \$2,135,385.

Sales Tax Revenue Refunding Note-Series 2010 (nontaxable)

On November 29, 2010, the City issued the Sales Tax Revenue Refunding Note Series 2010 in an amount of \$2,610,000 with Branch Banking and Trust (BB&T). The proceeds were used to refund the \$5,000,000 of General Obligation Bonds, Series 1997. The refunding note has a fixed interest rate of 2.35% and matures on February 1, 2018. The refunding note is payable solely from and secured by the City's ½ cent sales tax revenues. The City achieved a cash flow difference and an economic gain of approximately \$327,000 as a result of the refunding. The balance on September 30, 2013 was \$1,713,468.

Miami-Dade County Loan Payable

During fiscal year 2003, Miami Dade County (the "County") commenced a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. During FY 2005, the County updated its cost estimates and the City's responsibility was determined to be \$414,578. On December 20, 2005, the City executed an interlocal agreement with Miami Dade County for the repayment of this debt. Under the terms of this agreement, the note will be repaid by the City in ten annual payments of \$41,458 plus interest, commencing December 20, 2006 and ending with a final payment on December 20, 2015. The note bears interest at

Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	SERIES 2010 CAPITAL IMPROVEMENT REFUNDING NOTE		SERIES 2010 SALES TAX REVENUE REFUNDING NOTE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2014	106,639	80,762	326,778	36,427	433,417	117,189
2015	110,832	76,569	334,549	28,656	445,381	105,225
2016	114,987	72,413	342,504	20,701	457,492	93,114
2017	119,711	67,690	350,649	12,556	470,360	80,246
2018	124,418	62,983	358,987	4,218	483,405	67,201
2019-2023	699,269	237,734	-	-	699,269	237,734
2024-2028	<u>859,529</u>	<u>89,005</u>	-	-	<u>859,529</u>	<u>89,005</u>
Total, net	<u>\$2,135,385</u>	<u>\$687,156</u>	<u>\$1,713,468</u>	<u>\$102,558</u>	<u>\$3,848,853</u>	<u>\$789,714</u>

a variable rate. On September 30, 2013, the rate was 0.49% and the outstanding balance was \$124,372.

Other Debt

TD Equipment Lease

On November 12, 2009, the City executed a \$416,647 capital lease with TD Equipment Finance, Inc. The lease has an interest rate of 2.95%, matures on November 11, 2014, and is collateralized by the equipment purchased under the lease. Approximately \$86,787 was used to purchase two new golf course maintenance mowers and an aerator and \$329,860 was used to purchase a new refuse truck and loader crane for the sanitation operation. Under the terms of the lease, the City is required to make twenty (20) quarterly payments of principal and interest in the amount of \$22,467 commencing on February 1, 2010 and ending with the final payment of \$22,467 on November 1, 2014. The balance as of September 30, 2013 was \$109,886.

SunTrust Equipment Lease

On August 19, 2013, the City executed a \$470,692 capital lease with SunTrust Equipment Finance & Leasing Corp. The lease has an interest rate of 1.54%, matures on July 1, 2018, and is collateralized by the equipment purchased under the lease. The funds were used

to purchase two new sanitation trucks for the sanitation operation. Under the terms of the Lease, the City is required to make twenty (20) quarterly payments of principal and interest in the amount of \$24,449 commencing on October 1, 2013 and ending with the final payment of \$24,449 on July 1, 2018. The balance as of September 30, 2013 was \$470,692.

Long Term Financial Plan

The City Council has established a written policy that the unassigned fund balance should be equal to 25% of the operating expenditures and transfers to other departments (debt service and elderly services) budgeted for the General fund in the subsequent year. This reserve will ensure that the City has available funds in case of any unforeseen emergencies. The City was in compliance with this policy as of September 30, 2013.

The City is pursuing grant and other funding opportunities to

provide needed infrastructure improvements to the City, including funding for a median bike path project, new aquatic facility, and other public works projects. The 2013-2014 budget provides for the cost of improvements at the golf course as well as the shoring up of the pool facility. Plans are currently being developed for the replacement of this aging pool facility. The City is also negotiating pension plan alternatives in order to reduce the increasing pension costs which are causing a significant drain on City resources.

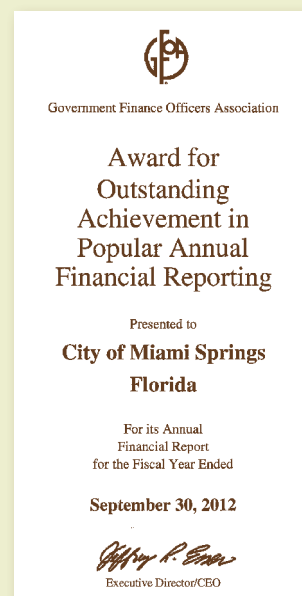
AWARDS

The City received the following awards from the Government Finance Officers Association (GFOA):

- Distinguished Budget Presentation Award for the year beginning October 1st 2013.
- Certificate of Achievement for Excellence in Financial Reporting, FY 2012 Comprehensive Annual Financial Report (CAFR). The FY 2013 CAFR has been submitted for review.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2012. The FY 2013 PAFR has been submitted for review.

Each of these awards is valid for a period of one year only.

For more information on this report or the City's finances, please call the Finance Department at 305-805-5014





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