



# *City of* Miami *Springs*

**Popular Annual Financial Report** for Fiscal Year ended September 30, 2016





# 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 2016 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 2016 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 Albarni, Caballero, & Fierman, 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](http://www.miamisprings-fl.gov).



## Highlights of Fiscal Year FY 2016

During the February 27, 2017 Council meeting, the City's external auditors, Albarni, Caballero, and Fierman, L.L.P. presented the City Council with the FY2016 CAFR which showed the City reported a strong General Fund balance of \$3.2 million.

For FY2016, the City's total property tax rate was 7.5000 and was one of the lowest rates in the past thirteen years. Further, the total property tax rate for the City has been reduced by 14% from a high of 8.7440 in FY2003 to the aforementioned 7.500 in FY 2016.



# Financial Highlights

■ The assets and deferred outflows of the City of Miami Springs exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$22.7 million (net position). Unrestricted net position was a deficit of \$3.0 million compared to a deficit of \$2.1 million net position at the end of FY2015. The increased deficit in unrestricted net position was due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. Under this Statement, the City was required to record the net pension liability in the government wide financial statements beginning in FY 2015.

■ The City's total net position increased by \$710,430 from \$21,979,440 in FY2015 to \$22,689,870 in FY2016. The increase is attributable to the overall increase of \$67,313 from the City's business-type activities, coupled with an increase of \$643,117 in net position of the governmental activities.

■ During the year, the City had expenditures that were \$5,185,737 higher than the \$16.9 million generated in tax and other revenues for governmental funds.

■ The business type activities for the City recognized an operating profit before non-operating revenues, expenses, and transfers of \$72,853.

■ Total cost of all of the City's programs increased by approximately \$449,652 or 3.9% with no new programs added this year. The increase was due to increases in payroll and operating costs for the current year, as well as infrastructure projects completed during the year.

■ The General Fund's fund balance decreased by \$1,185,705 for the fiscal year ended September 30, 2016; this decrease was a result of various capital expenditures during the year for equipment, facilities improvements, new playground, and the payoff of the golf course debt.

■ At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$2.8 million, or approximately 20% of total General Fund expenditures. The committed fund balance was \$150,000 which represents future costs related to the new Senior Center facility. [See discussion of fund balance in the Long Term Financial Plan section below.](#)

■ The City's total debt decreased by approximately \$1.5 million or 14% (net of principal payments on existing debt). This decrease was due primarily to the payoff of the Golf course Note in August 2016.

## 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. (eg: 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 (eg: Golf Course and Country Club Note, the Aquatic Facility Note and capital leases on equipment).

■ **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 FY2016: 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

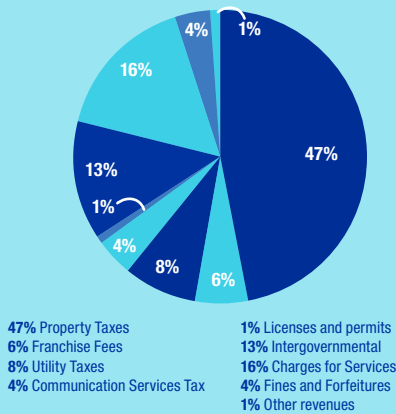
### General Fund Revenues

When compared to 2015, total revenues for the General Fund decreased by \$238,480 or 1.6%. Licenses and permits decreased by approximately \$516,159 due to the reclassification of the Building Department to a Special Revenue Fund for FY2016. Charges for Services increased by \$254,369 due to the reimbursement paid by the Building Operation Fund for General Fund administrative costs.



Where does the money come from?  
\$15.1 million Total Revenue:

### General Fund Revenues FY 2016



### Property Taxes (\$7.1 million or 47%)

Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2016 was 7.5000 or \$7.50000 per \$1,000 of assessed property value. This millage was lower than the 7.6710 in FY2015.

**Intergovernmental Revenues (\$2.0 million or 13%)** 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 (\$2.4 million or 16%)** These revenues consists of charges by the city for services such as recreation, golf, and City Hall administrative fees.

### Utility Fees (\$1.2 million or 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.

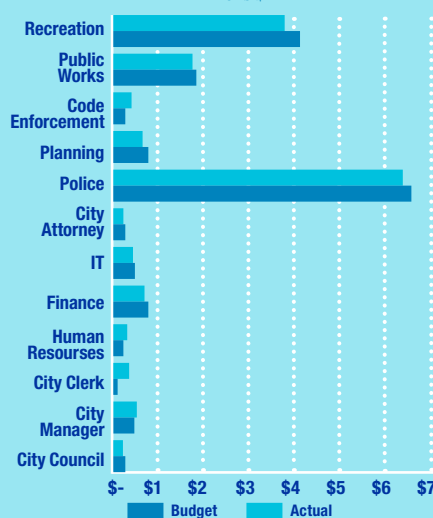
### General Fund Expenditures

In fiscal year 2016, total General Fund expenditures increased by \$111,212 or 0.8% compared to the prior year. The bulk of the increase was a \$506,320 or 15.3% increase in Recreation and social services due

to the opening of the new aquatic facility in July 2016. Public safety reported an decrease of \$398,263 due to a high number of payouts to retiring police officers and equipment upgrades done during FY2015. It should be noted that other departments reported increases in operating costs due to higher than expected operating costs.

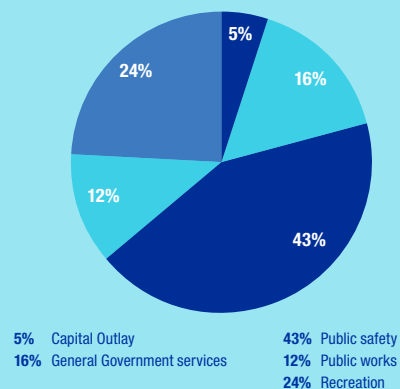
During the year, the General Fund also provided \$2,167,544 in transfers to other funds; the City transferred \$1,929,199 to the Debt Service fund, \$61,609 to the Capital Projects fund, and \$176,736 to the Senior Center.

### Actual Departmental Expenditures vs. Budget



Where does the money go? \$14.3 million Total Expenditures:

### General Fund Expenditures FY 2016



### Public Safety (\$6.2 million or 43%)

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

### Recreation (\$3.4 million or 24%)

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

### General Government (\$2.3 million or 16%)

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

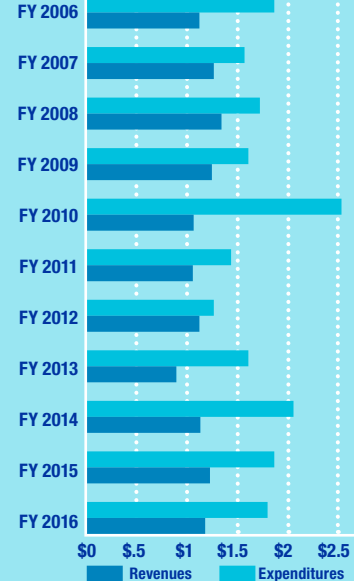
### Public Works (\$1.7 million or 12%)

Expenditures include personnel and operating expenses to maintain the City's streets, roads, and other infrastructure.

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 FY2016:

### Golf and Country Club

Historic Revenues and Expenses in Millions \$



### The Golf Course Operation

Revenues for the City's Golf Course operations were \$1,216,590 or 2.4% lower than the \$1,246,786 reported in FY2015. The slight decrease in revenues was attributable to the number of bad weather days experienced during the year. Expenditures for FY2016 were \$1,796,687 or 2.5% lower than the \$1,842,124 for FY2015. The Golf and Country Club Fund had a net loss before transfers of \$580,097 for the fiscal year ended September 30, 2016. 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 \$3.2 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 \$2.8

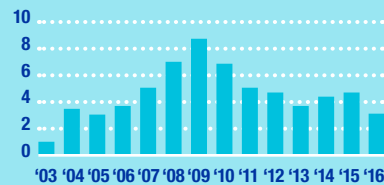
million compared to \$3.5 million in FY2015; decrease was due to additional funds being committed to city-wide projects and the prepayment of the Golf Course Note.

- Committed was \$150,000 compared to \$661,148 in FY2015; decrease is due to funds appropriated during FY2016 for city-wide projects as well as other appropriations made by Council during the year.

- Non-spendable was \$214,573 compared to \$233,379 last year; variance is due to the ending encumbrance balance for the current year.

### General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended September 30, 2003-2016  
in millions \$



Over the past 14 years, the City's General Fund balance has steadily increased from a deficit of approximately \$300,000 in FY2002 to a surplus of \$3.2 million in FY2016. Our current fund balance of \$3.2 million represents almost 21% of budgeted expenditures. [See discussion of fund balance in the long term Financial Plan section below.](#)

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 FY2016, there was a decrease of approximately \$377,263 in unrestricted net position and an

increase of \$67,313 in total net position reported in connection with the City's business-type activities.

Key elements of these changes are as follows:

- The operating profit for all business-type activities was \$72,853.
- The sanitation operation posted an operating loss of \$179,454. As was the case last year, this operation was self-supporting and did not require a general fund subsidy.
- The stormwater utility operation reflected an operating profit of \$252,307, and required no subsidy from the City's general fund.

Operating expenses for the business-type activities increased by \$96,386 or 3.3% from FY2014 mainly due to increases in operating costs.

### Expenses & Program Revenues-Business-type Activities

For the Fiscal Years ended September 30, 2016  
in millions \$



## Economic Growth

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 3 square miles with approximately 14,000+ full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is primarily commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its



employees. The City of Miami Springs has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. In addition to the increased efforts to enhance services, the City has also provided increased benefits to its employees, since it would not be possible to continue to provide these valuable services without the retention of its valuable employees.

The Administration recognizes the importance of increasing its commercial tax base. In FY2016 the commercial portion of the total assessed values was 34% compared to 24% in FY2009. The City continues to attract new hotel and other commercial developments in order to continue increasing its commercial tax base thereby improving the City's future economic health as well as reducing the tax burden on the residents. To this end, the City is continuing to pursue the viability of annexing areas west of the City, aggressively pursuing the re-development of the NW 36th Street corridor, and considering various improvements to the rest of our commercial areas.

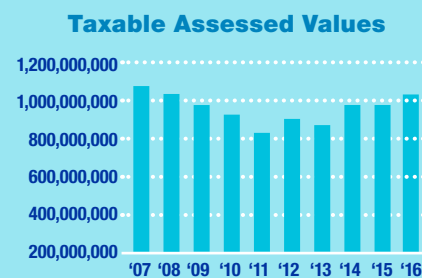
During the past few years assessed property values have been steadily increasing. For FY2016 assessed property values increased to \$970,949,500 or an increase of approximately \$41 million or 4% from the \$929,914,233 in final taxable value for the prior fiscal year. It is anticipated that property values will continue to increase due to the desirability of the small town aspect of the city as well as its close proximity to the Miami International Airport and to Greater Downtown Miami.

In FY2014, after six years of contract negotiations, the City signed a three year agreement with its police union. The new agreement included changes to the Police

Pension Plan that reduces benefits to current and future new hires, and lowers future pension costs for both sides. Pension costs had been increasing significantly over the past few years, with pension contributions in FY2016 again exceeding \$1 million for both the Police and General Employees' Pension Plans. This contract expires September 30, 2017. The City will begin negotiating a new contract during the first quarter of 2017.

The Council and 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 productivity.

The chart below shows the changes in assessed property values for the past ten years:



## Long Term Debt

### 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 a variable rate. At September 30, 2016, this Note had been paid in full

## Capital Improvement Refunding Revenue Note-Series 2015

On February 27, 2015, the City issued the Capital Improvement Refunding Revenue Note Series 2015 in an amount of \$7,554,000 with SunTrust Bank. The proceeds were used as follows: \$1,986,733 was used to refund the \$2,435,812 Capital Improvement Refunding Revenue Note Series 2010 with SunTrust Bank, and \$5,567,267 was used to fund the construction of a new aquatic facility. The refunding Note has a fixed interest rate of 3.07% and matures on February 1, 2030. The refunding Note is payable solely from and secured by the City's Public Service Tax Revenues and Franchise Fee Revenues. The City achieved a cash flow difference and an economic gain of approximately \$67,719 as a result of the refunding. The balance at September 30, 2016 was \$6,990,000.

## Sales Tax Revenue Refunding Note-Series 2010

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. During August 2016, the City exercised its option to prepay this Note in full.

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

	SERIES 2015 CAPITAL IMPROVEMENT REFUNDING NOTE	
	PRINCIPAL	INTEREST
2017	444,000	210,771
2018	437,000	197,662
2019	450,000	184,139
2020	465,000	170,216
2021	479,000	155,833
2022-2026	2,626,000	574,581
2027-2030	2,089,000	130,199
Total, net	<u>\$6,990,000</u>	<u>\$1,596,400</u>

## Capital Leases

The City has entered into a lease agreement, with a local financial institution, as lessee for financing the acquisition of machinery and equipment for city-wide use. On April 30, 2014, the City executed a fifteen year Master Equipment Lease Purchase agreement with Green Campus Partners, LLC for a city-wide energy conservation project. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date. The gross

amount of equipment leased and capitalized under these leases was approximately \$3,063,279.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

YEAR ENDING SEPTEMBER 30,	
2017	427,661
2018	431,410
2019	207,284
2020	211,262
2021	157,640
2022-32	1,344,469
Total minimum lease payments	2,779,726
Less: amount representing	
Interest at 1.54% to 3.615%	(510,680)
Present value of minimum	
Lease payments	<u>\$ 2,269,046</u>

## Long Term Financial Plan

In fiscal year 2010, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be equal to 25% of the operating expenditures and transfers out budgeted for the General Fund in the subsequent year. The total unassigned fund balance at the end of FY2016 is \$2,840,763 or approximately \$659,237 less than our required minimum of \$3.5 million in order to meet the 25% requirement. In accordance with the adopted policy of funding any deficit within the next two fiscal years, Council agreed to fully fund this deficit with a \$365,000 surplus in FY2017 and an additional \$294,237 in FY2018 at which time the fund balance will be back to \$3.5 million and in compliance with the 25% requirement.

The City is pursuing grant and other funding opportunities to provide needed infrastructure

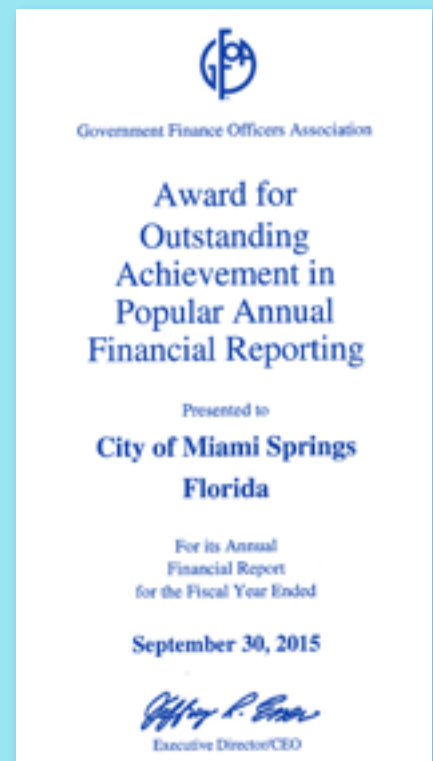
improvements to the City, including funding for canal bank restoration, a new elderly services building, sidewalk and road projects, and other city infrastructure needs.

## Awards

The City received the following awards from the Government Finance Officers Association (GFOA):  
 ■ Distinguished Budget Presentation Award for the year beginning October 1<sup>st</sup> 2016.

■ Certificate of Achievement for Excellence in Financial Reporting, FY 2015 Comprehensive Annual Financial Report (CAFR). The FY 2016 CAFR has been submitted for review.  
 ■ Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2015. The FY 2016 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 305-805-5015.





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