



City of Miami Springs

Popular Annual Financial Report for Fiscal Year ended September 30, 2018



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 2018 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 2018 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 Caballero Fierman Llerena + Garcia, 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 2018

During the February 25, 2019 Council meeting, the City's external auditors, Caballero Fierman Llerena + Garcia, LLP, presented the City Council with the FY2018 CAFR which showed the City reported a strong Unassigned General Fund balance of \$3.8 million.

For FY2018, 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 2018.



Financial Highlights

- The assets and deferred outflows of the City of Miami Springs Governmental Activities exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$21.7 million (net position). Unrestricted net position was a deficit of \$3.1 million compared to a deficit of \$1.6 million net position at the end of FY2017. The increased deficit in unrestricted net position was due to an increase in deferred inflows in pension as well as OPEB expenses due to the implementation of GASB 75 during FY2018.
- The City's total net position increased by \$998,636 from \$22,682,418 in FY2017 to \$23,581,053 in FY2018. The increase is attributable to the overall decrease of \$174,044 from the City's business-type activities, coupled with an increase of \$1,172,680 in net position of the governmental activities.
- During the year, the City had expenditures that were \$773,066 lower than the \$22.6 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 \$166,396.
- Total cost of all of the City's programs increased by approximately \$4,497,017 or 22.5%. The increase was due to the cleanup and damage costs incurred after Hurricane Irma.
- The General Fund's fund balance increased by \$371,781 for the fiscal year ended September 30, 2018; this increase was a result of budgeted surplus by Council to replenish fund balance in order to meet the required 25% of budgeted expenditures required by City policy.
- At the end of the current

fiscal year, the unassigned fund balance for the General Fund was approximately \$3.8 million, or approximately 24% of total General Fund expenditures. The committed fund balance was \$70,000 which represents future costs related to the golf course cart barn and the historic museum renovation.

- The City's total debt increased by approximately \$151,220 or 1.7% (net of principal payments on existing debt). This increase was due primarily to the City executing a credit line with Iberia Bank to fund temporary cash flow needs related to Hurricane Irma costs pending FEMA reimbursement.

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: the Aquatic Facility Note, the Line of Credit with Iberia Bank, 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 for

the construction of the new Senior Center facility.

Enterprise Funds

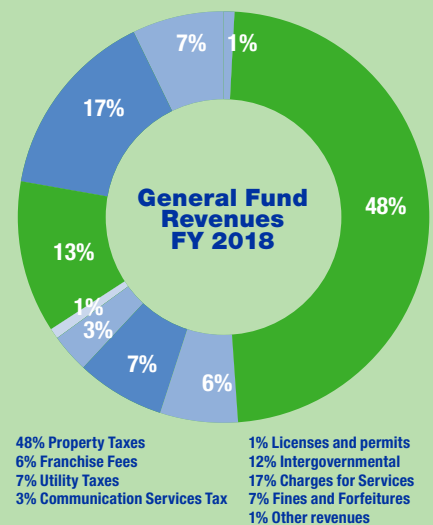
- **Enterprise Funds** account for activities the City operates similar to private businesses. The City operated two Enterprise funds during FY2018: Sanitation and Stormwater.

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.

General Fund

General Fund Revenues

When compared to 2017, total revenues for the General Fund increased by \$892,643 or 5.5%. Property taxes increased by \$620,877 due to an increase in assessed values for the year.



Fines and forfeitures increased by \$423,443 due to increased red light camera fines due to all cameras being functional during the year.

Property Taxes (\$8.1 million or 48%) Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2018 was 7.5000 or \$7.50000 per \$1,000

of assessed property value. This millage was the same as in FY2017.

Intergovernmental Revenues

(\$2.0 million or 12%) 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 (\$2.6 million or 15%) These revenues consist of charges by the city for services such as recreation, golf, and City Hall administrative fees

Utility Fees (\$1.3 million or 7%)

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.

Fines and forfeitures (\$1.2 million or 7%) These revenues consist of traffic and parking citations issued by our Police department as well as red light camera enforcement

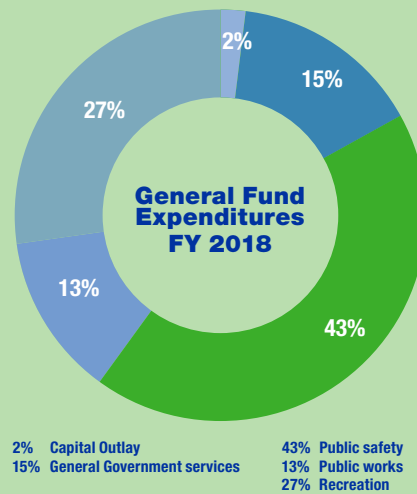
General Fund Expenditures

In fiscal year 2018, total General Fund expenditures increased by \$621,693 or 4.3% compared to the prior year. The bulk of the increase was a \$278,424 or 15.4%

increase in Public Works due to the costs of Hurricane Irma and \$276,362 or 4.3% in Public Safety due to increased operating costs in the Police department. It should be noted that other departments reported slight increases in expenditures due to higher than expected operating costs.

During the year, the General Fund also provided \$1,095,004 in transfers to other funds; the City transferred \$920,860 to the Debt Service fund, and \$174,144 to the Senior Center.

Where does the money go?
\$15.2 million Total Expenditures



Public Safety (\$6.5 million or 43%)

Expenditures include personnel and operating expenses to maintain the City's Police Force, Building and Zoning, and Code Compliance.

Recreation (\$4.1 million or 27%)

Expenditures include personnel and operating expenses to maintain the City's Recreation Department and the Golf Course operation.

General Government (\$2.2 million or 15%)

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

Public Works (\$2.0 million or 13%) Expenditures include personnel and operating expenses

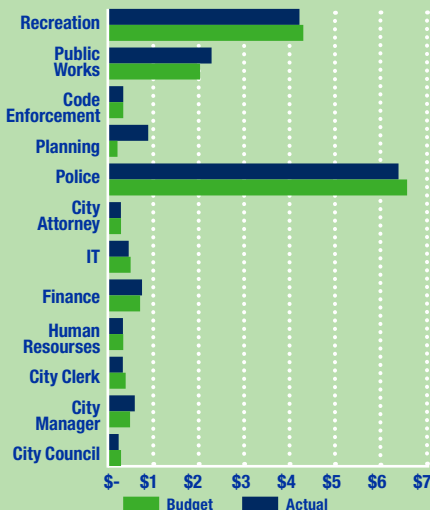
to maintain the City's streets, roads, and other infrastructure.

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 FY2018:

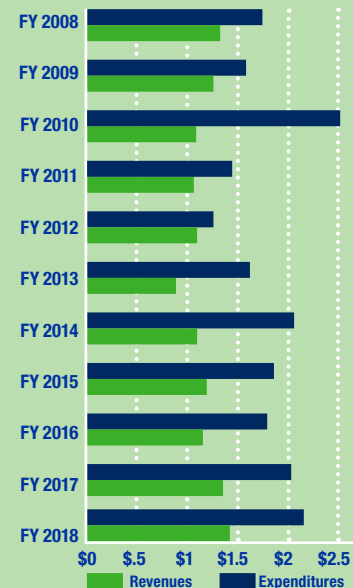
The Golf Course Operation

Revenues for the City's Golf Course operations were \$1,452,688 or 4.1% higher than the \$1,395,692 reported in FY2017. The increase in revenues was attributable to city taking over the food and beverage operation during the last quarter of FY2018. Expenditures for FY2018 were \$2,084,715 or 0.4% higher than the \$2,007,447 for FY2017. The Golf and Country Club Fund had a net operating deficit of \$632,027 for the fiscal year ended September 30, 2018, compared to \$611,755 in the prior year. This deficit partly due to the effects of Hurricane Irma and the contract termination of the food and beverage operator. This deficit was funded by the General Fund

Actual Departmental Expenditures vs. Budget
in Millions \$



Golf and Country Club
Historic Revenues and Expenses
in Millions \$



Fund Balance

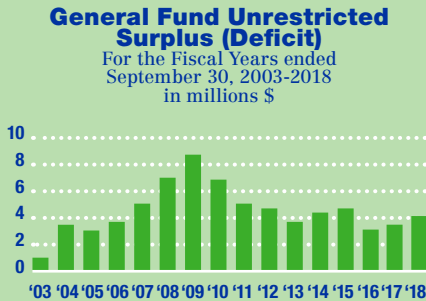
The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$4.1 million, as compared with \$3.7 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 \$3.8 million compared to \$3.3 million in FY2017; increase was due to additional surplus budgeted by Council to replenish our reserves after the golf course debt prepayment.



■ Committed was \$70,000 compared to \$198,831 in FY2017; decrease is due to the use of funds designated during FY2017 for the construction of a new Senior center.
■ Non-spendable was \$238,718 compared to \$194,548 last year; this category is for city inventories in Public Works and Golf Course.

Over the past 16 years, the City's General Fund balance has steadily increased from approximately \$574,098 in FY2003 to a surplus of \$4.1 million in FY2018. Our current unassigned fund balance of \$3.8 million represents almost 24% 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 FY 2018, there was a decrease of \$231,649 in unrestricted net position and a decrease of \$357,024 in total net position reported in connection with the City's business-type activities.

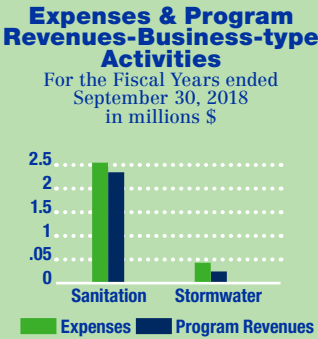
Key elements of these changes are as follows:

■ The operating loss for all business-type activities was \$166,396.
■ The sanitation operation posted an operating loss of \$137,294. 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 loss of

\$29,102 and required no subsidy from the City's General Fund

For FY2018, revenues of the City's business-type activities were \$2,740,048 or \$212,572 (8%) higher than the prior year total (see Table 2). This increase was due to a stormwater fee increase approved at the beginning of the fiscal year.

Operating expenses for the business-type activities increased by \$144,590 or 5.2% from FY2017 mainly due to increases in operating costs and OPEB and pension expenses.



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, for FY2018 the commercial portion of the total assessed values was 34% compared to 24% back 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, such as the newly approved Gateway Overlay District in our downtown area.

During the past few years assessed property values have been steadily increasing. For FY2018 assessed property values increased to \$1,198,705,267 or an increase of approximately \$83 million or

7.5% from the \$1,115,307,120 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.

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 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 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, 2018 was \$6,109,000.

Capital Improvement Revenue Note Series 2017

On April 28, 2017, the City issued the Capital Improvement Revenue Note Series 2017 in an amount of \$448,500 with Branch Banking and Trust (BB&T). The proceeds were used to fund the Westward Bike Path project. The note has a fixed interest rate of 2.13% and matures on April 1, 2024. The note is payable solely from and secured by the City's Transportation Surtax revenues. The balance at September 30, 2018 was \$368,411.

Revolving Line of Credit

On February 2, 2018, the city executed a revolving credit line with Iberia Bank in the amount of \$2 million. The interest rate is the Wall Street Journal Prime Rate and interest is due monthly. The maturity date for this line is February 1, 2019, when principal is due and payable. Line is pledged with Half Cent Sales Tax, State Revenue Sharing and Local Communications Tax revenues. The balance at September 30, 2018 was \$1,000,050.

Debt service requirements to maturity for the fiscal years ending September 30 are summarized as follows in the table on the opposite page.

	SERIES 2015 CAPITAL IMPROVEMENT REFUNDING NOTE		SERIES 2017 CAPITAL IMPROVEMENT REVENUE NOTE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	450,000	184,139	64,071	7,336	514,071	191,475
2020	465,000	170,216	64,071	5,971	529,071	176,187
2021	479,000	155,833	64,071	4,606	543,071	160,439
2022	493,000	141,020	64,071	3,242	557,071	144,262
2023	510,000	125,763	64,071	1,876	574,071	127,639
2024-2028	2,791,000	382,583	48,056	512	2,839,056	383,095
2029-2030	921,000	28,413	-	-	921,000	28,413
Total, net	\$6,109,000	\$1,187,697	\$368,411	\$23,543	\$6,477,411	\$1,211,510

Capital Leases

The City has entered into lease agreements with local financial institutions 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 \$2,187,507.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

YEAR ENDING SEPTEMBER 30,	
2019	260,920
2020	264,897
2021	211,281
2022	160,218
2023	146,968
2024-34	1,054,880
Total minimum lease payments Less: amount representing	2,099,164
Less: amount representing Interest at 2.3% to 3.615%	(347,313)
Present value of minimum Lease payments	<u>\$ 1,751,851</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 FY2018 is \$3,791,827 or approximately \$306,413 less than our required minimum of \$4,098,243 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 \$212,736 in FY2019 and an additional \$93,677 in FY20, at which time the fund balance will exceed the \$4.1 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 Senior Center building, sidewalk and road projects, and other city infrastructure needs.

Awards

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

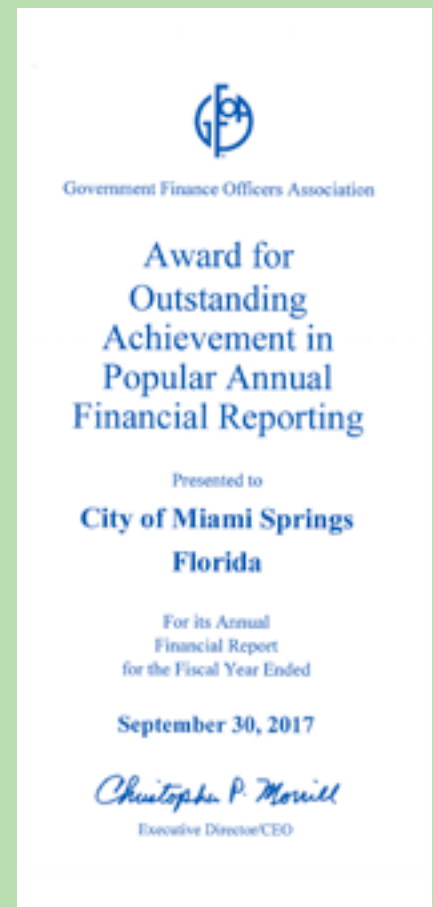
■ Distinguished Budget Presentation Award for the year beginning October 1st 2019.

■ Certificate of Achievement for Excellence in Financial Reporting, FY 2017 Comprehensive Annual Financial Report (CAFR). The FY 2018 CAFR has been submitted for review.

■ Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2017. The FY 2018 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





City of Miami Springs
201 Westward Drive
Miami Springs, Florida 33166

PRSRT STD
US Postage
PAID
Miami, FL
Permit #1087

For more information on this report or the City's finances, please call the Finance Department at 305-805-5015.



www.miamisprings-fl.gov

 @MiamiSpringsFL

 @MiamiSpringsFL

 @cityofmiamisprings

 City of Miami Springs-Government