



City of **Miami
Springs**

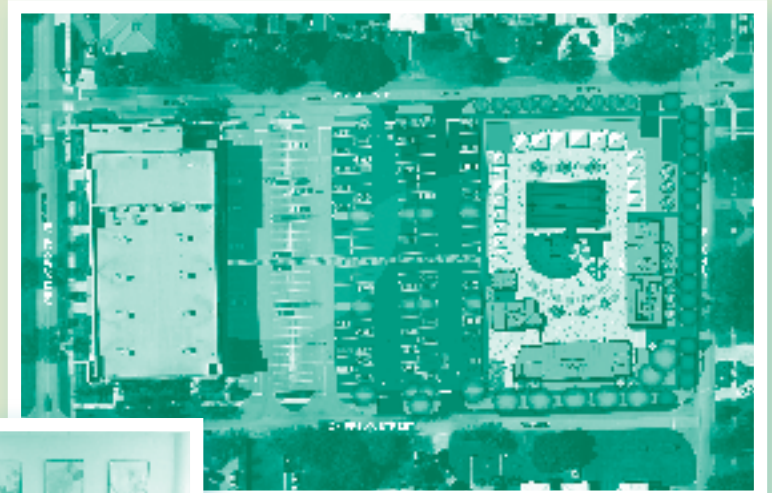
Popular Annual Financial Report for Fiscal Year ended September 30, 2014



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 2014 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 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.



Highlights of Fiscal Year FY 2014

During the February 9, 2015 Council meeting, the City's external auditors, Albarni, Caballero, and Fierman, L.L.P. presented the City Council with the FY2014 CAFR which showed the City reported a strong unreserved fund balance in the General Fund of \$4.3 million.

For FY 2014, the City's total property tax rate was 7.6710 mills and was one of the lowest rates in the past twelve years. Further, the total property tax rate for the City has been reduced by 12% from a high of 8.7440 mills in FY2003 to the aforementioned 7.6710 mills in FY 2014.

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 FY2014. This was the same rating received in FY2013. 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 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 \$26.5 million (net position). \$2.2 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 \$778,119 from \$27,286,975 in FY2013 to \$26,508,856 in FY2014. The decrease is attributable to the overall decrease of \$471,800 from the City's business-type activities, coupled with a decrease of \$306,319 in net position of the governmental activities.

■ During the year, the City had expenses that were \$1,573,864 higher than the \$16 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 \$438,956.

■ Total cost of all of the City's programs increased by approximately \$1.3 million or 11.7% with no new programs added this year. The increase was due to increases in operating costs, payroll, and employee benefits.

■ The General Fund's fund balance increased by \$571,305 for the fiscal year ended September 30, 2014; this increase was a result of departmental savings during the year due to unfilled vacant positions and other lower than budgeted cost savings.

■ At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$3.9 million, or approximately 26.9% of total general fund expenditures. The

committed fund balance was \$243,341 which represents future costs related to parks and recreation and hurricane contingency.

■ The City's total debt increased by approximately \$1.5 million or 33.3% (net of principal payments on existing debt). This increase was due primarily to the \$1.6 million note issued for the ConEd energy savings project.

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 three special revenue funds, Road & Transportation, Senior Center, 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 FY2014: 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..

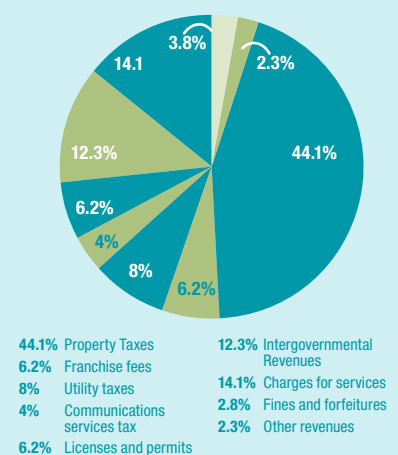
The General Fund

General Fund Revenues

When compared to 2013, total revenues for the General Fund increased by \$1,135,499 or 8.1%. Licenses and permits increased by approximately \$302,805 due to the increased building activity during the year. Property taxes increased by \$846,180 due to the increase in millage for FY2014, as well as increases in assessed property values.

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

**General Fund Revenues
FY 2014**



Property Taxes (\$6.7 million or 44.1%)

Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2014 was 7.6710 or \$7.6710 per \$1,000 of assessed property value. This millage was a 9.7% increase from the 6.9950 millage assessed in FY2013.

Intergovernmental Revenues (\$1.9 million or 12.3%)

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 (\$2.1 million or 14.1%) These revenues consists of charges by the city for services such as recreation, golf, and city hall administrative fees. The increase was due to higher revenues at the golf course due to more activity after the greens and fairways were improved.

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.

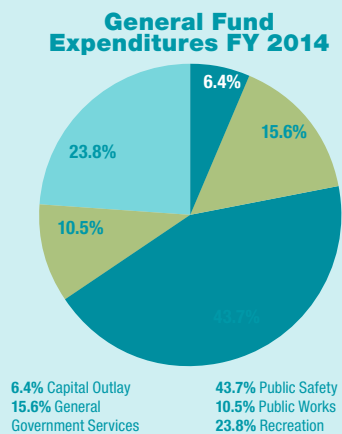
General Fund Expenditures

In fiscal year 2014, total General Fund expenditures increased by \$317,591 or 2.3% compared to the prior year. The bulk of the increase was a \$638,847 or 18.2% increase in Recreation and social services due to the significant equipment purchases as well

as maintenance expenditures incurred at the golf course during the year. It should be noted that other departments reported decreases in operating costs due to vacant positions as well as lower than expected operating costs.

During the year, the General Fund also provided \$809,383 in transfers to other funds; the City transferred \$698,761 to the Debt Service fund and \$110,622 for the senior center.

Where does the money go? \$14.4 million Total Expenditures:



Public Safety (\$6.3 million or 43.7%) Expenditures include personnel and operating expenses to maintain the City's police force, building and zoning, and code compliance.

Recreation (\$3.4 million or 23.8%) Expenditures include personnel and operating expenses to maintain the City's recreation department and the golf course operation.

General Government (\$2.2 million or 15.6%) Expenditures include personnel and operating expenses of the Council, City Clerk, City Attorney, City Manager, Finance, Planning, Human Resources and Information Technology.

Public Works (\$1.5 million or

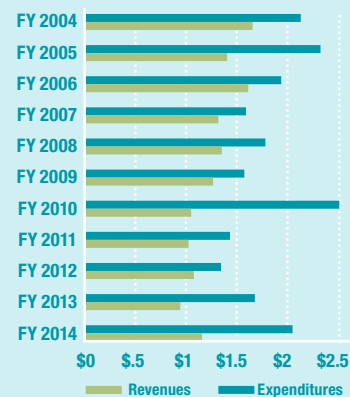
10.5%) - Expenditures include personnel and operating expenses to maintain the City's streets, roads, and other infrastructure.

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 FY2014:

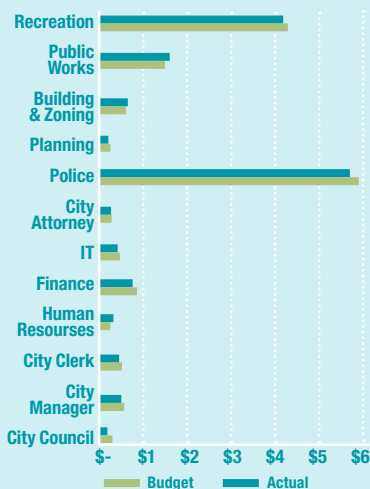
The Golf Course Operation

Revenues for the City's golf course operations were \$1,152,605 or 18.8% higher than the \$970,096 reported in FY2013. The increase 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 \$2,016,564 or 21% higher than the \$1,662,100 for FY2013. The Golf and Country Club Fund had a net loss before transfers of \$863,959 for the fiscal year ended September 30, 2014 mainly due to the costs incurred in improving the course conditions. This deficit was budgeted and was funded by the General Fund.

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



Actual Departmental Expenditures vs. Budget 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 \$4.3 million, as compared with \$3.7 million in the prior year.

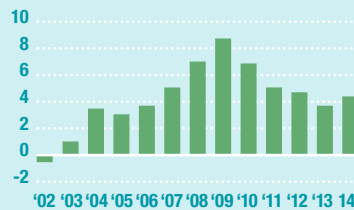
What does Fund Balance mean? A fund balance is defined as the difference between total assets and total liabilities. Total assets are the resources the City can use to pay bills; whereas total liabilities are the obligations that the City has to pay within a fiscal year. The fund balance is separated 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 \$3.9 million compared to \$3.0 million in FY2013; increase was due to the surplus reported in current year activity.
- Committed was \$243,341 compared to \$577,316 in FY2013; decrease is due to funds committed in prior year being used in FY2014 for pool repairs as well as other appropriations made by Council during the year.
- Non-spendable was \$162,205 compared to \$133,812 last year; variance is due to the ending.

General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended
September 30, 2002-2014
in millions \$



Over the past 13 years, the City's unreserved General Fund balance has steadily increased from a deficit of approximately \$300,000 in FY2002 to a surplus of \$4.3 million in FY2014. Our current fund balance of \$4,263,646 represents almost 29% 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 2014, there was a decrease of approximately \$518,284 in unrestricted net position and a decrease of \$471,800 in total net assets 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 \$438,956.
- The sanitation operation posted an operating loss of \$151,309. 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 \$287,647, however this loss was funded from available net position and as such, it too required no subsidy from the City's general fund.

For FY2014, revenues of the City's business-type activities were \$2,487,637 or approximately \$42,317 (1.7%) less than the prior year total. Operating expenses for the business-type activities increased by \$185,987 or 6.8% from FY2013 mainly due to increases in operating costs.

Expenses & Program Revenues-Business-type Activities

For the Fiscal Years ended
September 30, 2014
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 14,036 residents. The southern-most area of the City, located along the 36th Street business corridor, is 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 most valuable asset, its employees.

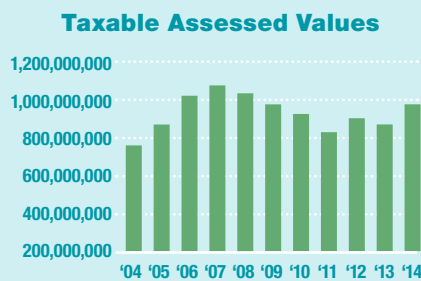
The Administration recognizes the importance of increasing its commercial tax base, which is approximately only 28% of total tax revenues, for the City's future economic health and to reduce the tax burden on the residents. To this end, the City is continuing to pursue the viability of annexing areas 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 FY2014 assessed property values increased to \$946,504,898 or an increase of approximately \$59.2 million or 6.7% from the \$887,326,659 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 last year exceeding \$1 million for both the Police the General Employees Pension Plans for the first time in the City's history. 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 at September 30, 2014 was \$2,032,832.

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 at September 30, 2014 was \$1,386,689.

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, 2014, the rate was 0.49% and the outstanding balance was \$82,914.

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
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	129,310	58,090	-	-	129,310	58,090
2020-2024	726,678	210,325	-	-	726,678	210,325
2025-2029	706,895	58,324	-	-	706,895	58,324
Total, net	<u>\$2,032,832</u>	<u>\$606,394</u>	<u>\$1,386,689</u>	<u>\$66,132</u>	<u>\$3,419,521</u>	<u>\$ 672,525</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 \$3,141,919.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

YEAR ENDING SEPTEMBER 30,	
2015	318,698
2016	347,064
2017	350,705
2018	354,453
2019	130,327
2020-31	1,617,175
Total minimum lease payments	3,118,424
Less: amount representing	
Less: amount representing Interest at 1.54% to 3.615%	(587,358)
Present value of minimum Lease payments	<u>\$ 2,531,066</u>

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 out 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, 2014.

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 2014-2015 budget provides for the cost of building a new aquatic facility.

Awards

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

- Distinguished Budget Presentation Award for the year beginning October 1st 2014.
- Certificate of Achievement for Excellence in Financial Reporting, FY 2013 Comprehensive Annual Financial Report (CAFR). The FY 2014 CAFR has been submitted for review.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2013. The FY 2014 PAFR has been submitted for review.

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



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to
**City of Miami Springs
Florida**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Jeffrey R. Egan
Executive Director/CEO



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



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