



City of Miami *Springs*

Popular Annual Financial Report for Fiscal Year ended September 30, 2015



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 2015 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 2015 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, & 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 2015

During the February 8, 2016 Council meeting, the City's external auditors, Alberni, Caballero, and Fierman, L.L.P. presented the City Council with the FY2015 CAFR which showed the City reported a strong General fund balance of \$4.4 million.

For FY 2015, the City's total property tax rate was 7.6710 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 in FY2003 to the aforementioned 7.6710 in FY 2015.



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 million (net position). Unrestricted net position was a deficit of \$2.1 million compared to a \$2.2 million net position at the end of FY2014. The decrease 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 for the current year as well as restating the net position as of September 30, 2014.

■ The City's total net position increased by \$535,418 from \$21,440,022 in FY2014 to \$21,979,440 in FY2015. The increase is attributable to the overall decrease of \$475,154 from the City's business-type activities, coupled with an increase of \$1,010,572 in net position of the governmental activities.

■ During the year, the City had expenses that were \$4,209,888 higher than the \$16.2 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 \$470,465.

■ Total cost of all of the City's programs decreased by approximately \$800,000 or 6.5% with no new programs added this year. The decrease was due to decreases in payroll and operating costs for the current year.

■ The General Fund's fund balance increased by \$127,395 for the fiscal year ended September 30, 2015; 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 \$3.5 million, or approximately 25% of total general fund expenditures. The committed fund balance was \$661,148 which represents future costs related to parks and recreation, citywide infrastructure improvements and hurricane contingency.

■ The City's total debt increased by approximately \$4.8 million or 80% (net of principal payments on existing debt). This increase was due primarily to the \$5.6 million note issued for the aquatic facility 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 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, 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 FY2015: Sanitation and Stormwater.

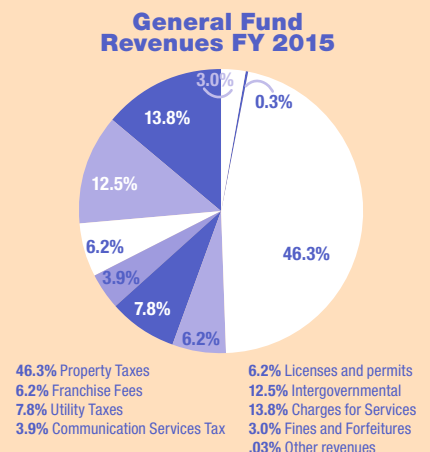
The PAFR will focus on the one fund of most importance to the citizens: the General Fund, since this is the fund where ad valorem property taxes are received and appropriated.

The General Fund

General Fund Revenues

When compared to 2014, total revenues for the General Fund increased by \$226,158 or 1.5%. Licenses and permits decreased by approximately \$386,868 due to the decreased building activity during the year. Property taxes increased by \$482,107 due to the increase in assessed values for FY2015.

Where does the money come from?
\$15.3 million Total Revenue:



Property Taxes (\$7.1 million or 46.3%) Property taxes consist of real and personal property taxes paid by Miami Springs property owners. The millage rate for FY2015 was 7.6710 or \$7.6710 per \$1,000 of assessed property value. This millage was the same as that in FY2014.

Intergovernmental Revenues (\$1.9 million or 12.5%) 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 13.8%) 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 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

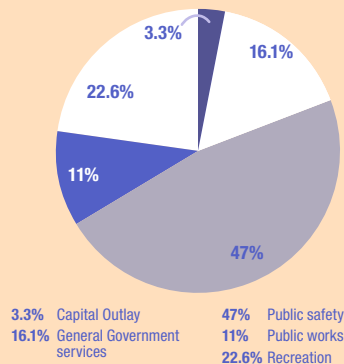
In fiscal year 2015, total General Fund expenditures decreased by \$204,635 or 1.4% compared to the prior year. The bulk of the decrease was an \$837,499 or 20.2% decrease in Recreation and social services due to the significant equipment purchases

for the golf operation made the prior year. Public safety reported an increase of \$458,669 due to pay raises, 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 \$1,060,244 in transfers to other funds; the City transferred \$932,784 to the Debt Service fund and \$127,460 to the senior center.

Where does the money go? \$14.2 million Total Expenditures:

General Fund Expenditures FY 2015



Public Safety (\$6.7 million or 47%)

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

Recreation (\$3.2 million or 22.6%)

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

General Government (\$2.3 million or 16.1%)

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

Public Works (\$1.6 million or 11%)

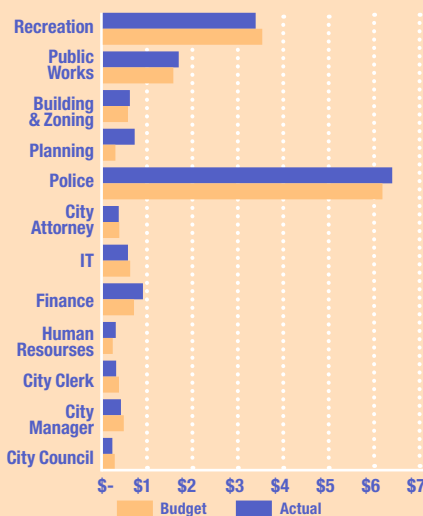
Expenditures include personnel and operating expenses to maintain the City's streets, roads, and other infrastructure.

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 FY2015:

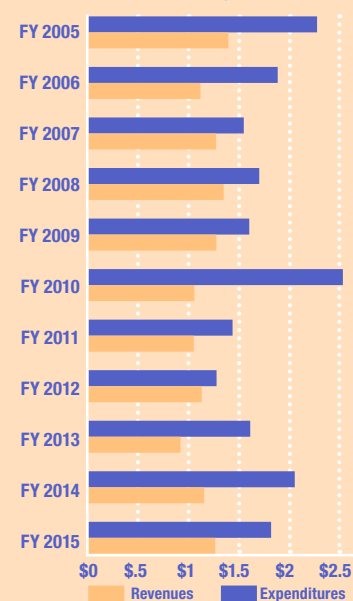
The Golf Course Operation

Revenues for the City's golf course operations were \$1,246,786 or 8.1% higher than the \$1,152,605 reported in FY2014. 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 FY2015 were \$1,842,124 or 8.7% lower than the \$2,016,564 for FY2014. The Golf and Country Club Fund had a net loss before transfers of \$595,338 for the fiscal year ended September 30, 2015. 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 \$4.4 million, as compared with \$4.3 million in the prior year.

What does Fund Balance mean?

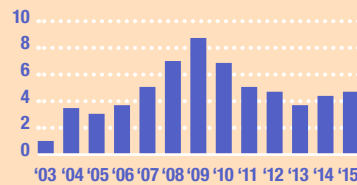
A fund balance is defined as the difference between total assets and total liabilities. Total assets are the resources the City can use to pay bills; whereas total liabilities are the obligations that the City has to pay within a fiscal year. The fund balance is separated into five components. Non-spendable, 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 \$3.5 million compared to \$3.9 million in FY2014; decrease was due to the increase in committed fund balance reported in current year activity.
- Committed was \$661,148 compared to \$243,341 in FY2014; increase is due to funds committed for hurricane contingency, tot lot playground replacements and other city infrastructure needs made by Council during the year.
- Non-spendable was \$233,379 compared to \$162,205 last year; variance is due to the increase in prepaid expenses related to prepayment of health insurance premiums.

General Fund Unrestricted Surplus (Deficit)

For the Fiscal Years ended September 30, 2003-2015
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 \$4.4 million in FY2015. Our current fund balance of \$4,391,041 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 2015, there was a decrease of approximately \$930,064 in unrestricted net position and a decrease of \$475,154 in total net position reported in connection with the City's business-type activities.

Key elements of these changes are as follows:

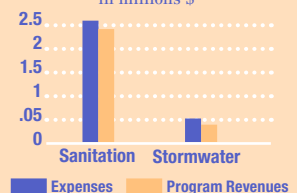
- The operating loss for all business-type activities was \$470,465.
- The sanitation operation posted an operating loss of \$193,431. As was the case last year, this operation was self-supporting and did not require a general fund subsidy.
- The stormwater utility operation reflected an operating loss of \$277,034, however this loss was funded from available net position and as such, it too required no subsidy

For FY2015, revenues of the City's business-type activities were \$2,521,080 or approximately \$33,443 (1.3%) higher than the prior year total.

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, 2015
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, for FY2015 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.

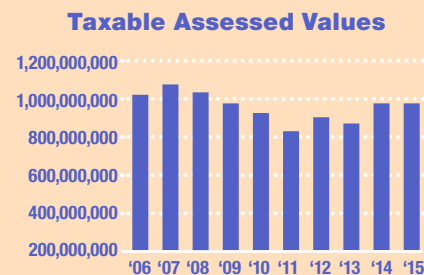
During the past few years assessed property values have been steadily increasing. For FY2015 assessed property values increased to \$983,506,655 or an increase of approximately \$37 million or 3.9% from the \$946,504,898 in final taxable value for the prior fiscal year. It is anticipated that property 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 FY2015 again exceeding \$1 million for both the Police and the General Employees Pension Plans.

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 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, 2015, the rate was 0.39% and the outstanding balance was \$41,456.

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, 2015 was \$7,366,000.

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. The balance at September 30, 2015 was \$1,052,140.

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

	SERIES 2015 CAPITAL IMPROVEMENT REFUNDING NOTE		SERIES 2010 SALES TAX REVENUE REFUNDING NOTE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016	396,000	223,250	342,504	20,701	738,504	243,951
2017	424,000	210,771	350,649	12,556	774,649	223,327
2018	437,000	197,662	358,987	4,218	795,987	201,880
2019	450,000	184,139	-	-	450,000	184,139
2020	465,000	170,216	-	-	465,000	170,216
2021-2025	2,547,000	626,372	-	-	2,547,000	626,372
2026-2030	2,647,000	207,241	-	-	2,647,000	207,241
Total, net	\$7,366,000	\$1,819,651	\$1,052,140	\$37,475	\$8,418,140	\$1,857,126

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, 2015, were as follows:

YEAR ENDING SEPTEMBER 30,	
2015	318,698
2016	347,064
2017	350,705
2018	354,453
2019	130,327
2020	134,305
2021-31	1,551,116
Total minimum lease payments Less: amount representing	2,867,970
Less: amount representing Interest at 1.54% to 3.615%	(596,067)
Present value of minimum Lease payments	\$ 2,271,903

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, 2015.

The City is pursuing grant and other funding opportunities to provide needed infrastructure improvements to the City, including funding for canal bank restoration, Prince Field playground replacement, elderly services programs, sidewalks 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 2015.

■ Certificate of Achievement for Excellence in Financial Reporting, FY 2014 Comprehensive Annual Financial Report (CAFR). The FY 2015 CAFR has been submitted for review.

■ Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2014. The FY 2015 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, 2014

Jeffrey R. Egan
Executive Director/CEO

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



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