


# MEMORANDUM



## V I L L A G E O F K E Y B I S C A Y N E

*Village Council*  
**Michael W. Davey, Mayor**  
**Allison McCormick, Vice Mayor**  
**Luis Lauredo**  
**Edward London**  
**Brett Moss**  
**Katie Petros**  
**Ignacio J. Segurola**

**DATE:** January 15, 2018  
**TO:** Honorable Mayor and Council Members  
**THROUGH:** Andrea M. Agha, Village Manager  
**FROM:**  Christopher Wallace, Interim Finance Director  
**RE:** Fiscal Year 2017-2018 Budget Amendment Ordinance

### RECOMMENDATION

We recommend that the Village Council approve the amendment to the FY2017-2018 Adopted Budget to recognize an additional \$3,414,879 in General Fund revenue and other financing sources; and, an additional \$3,414,879 in General Fund expenditures and other financing uses, primarily due to Hurricane Irma expenses, the ratification of the collective bargaining agreements, and the receipt of state police and fire pension plan payments during the reporting period and transfers to the Capital Projects Fund.

This resulted in the need to reduce the Building Inspection Reserves by \$271,074, Working Capital reserves by \$682,145, and increase the transfers to the Capital Improvement Fund by \$1,042,675 in order to balance the final amended General Fund budget as described below and summarized in Exhibit A.

Additionally, we have moved the Parks and Recreation Open Space Land Trust fund monies from the General Fund to their own Special Revenue fund pursuant to Ordinance 2011-2 that established the Trust at the end of the fiscal year. We have recorded additional revenues of \$828,000 in grant reimbursement funds for the 401 Hampton park grant and \$249,927 in ad valorem tax transfers to this fund.

We have eliminated the accumulated fund deficit in the Capital Improvements Fund by transferring the necessary reserves from the General Fund. Additionally, during the year, the Capital Improvements Fund required \$3,162,317 in transfers to cover the same amount of expenditures actually made during the year.

Finally, as a matter of explanation only, we have eliminated the Sewer Fund and combined it into the General Fund as required by current accounting rules. This fund existed only to service debt issued for sewer improvements conveyed to Miami Dade County. Going forward, the activity will be budgeted for in the General Fund.

## BACKGROUND

### **I. FY2017-2018 Budget Amendment Driving Factors**

There are two driving forces for the FY2018 Budget Amendment: the ratification of the collective bargaining agreements and Hurricane Irma. The Village completed negotiations with the three collective bargaining units in June 2018. The cost of these agreements on last year's budget was \$536,348. Hurricane Irma expenses totaled \$1,752,624 in FY2018 and the Village did not receive reimbursement for those expenses during the year. The total expense to the Village for Hurricane Irma, including FY2017, expenditures was \$2,616,900. The Village does expect to receive reimbursement for most of the hurricane expenses in late FY2019 or FY2020.

The total impact of the ratification of the collective bargaining agreements and Hurricane Irma expenditures in FY2018 is approximately \$2.289 million. In addition to the unanticipated revenue, the Village did not need to expend any budgeted funds for an anticipated lawsuit related to the boat show. It further realized a budgetary savings in anticipated debt service payments that were less than originally anticipated because payments didn't begin until mid-year.

The **Public Works Department** overspent by \$1,566,317 when compared to budget. This is largely attributed to Hurricane Irma expenses in the amount of \$1,820,395. However, an unfilled vacancy occurred in the Department, tree trimming services were deferred because of the storm, and some roadway improvements were delayed, all of which reduced the shortfall in the Department's budget.

In the **Recreation Department**, the Community Center division reflected over expenditures of approximately \$78,000. This was attributed to salary increases for part-time employees that allowed the Village to attract employment. The Athletic Division experienced a surplus attributed to the soccer program.

Village-wide payout of compensated absences totaled \$783,840. This and required pension contributions mostly accounted for the deficit experienced at the **Fire and Police Departments**. Additionally, the Fire Department purchased four vehicles by utilizing the reserves from fire code violations in the amount of \$162,234

The Adjustments to the Fund Balances at September 30, 2018, and the FY18 Budget, as amended at year end, impacted the fund balance as summarized below:

**Unaudited Fund Balances, 9/30/2018**

General Fund	FY18			FY18 Ending
	FY17 Beginning	Adjustments	FY18 Changes	
<b>Non-spendable</b>	<b>598,248</b>		<b>7,419</b>	<b>605,667</b>
<b>Assigned</b>				
Compensated Absences	671,118	-	-	671,118
Fire Rescue Transport Fees	1,807,614			1,807,614
Working Capital Surplus	15,592,089	(6,987,499)	(3,162,320)	5,442,270
<b>Committed</b>				
Emergencies	4,000,000			4,000,000
Labor Negotiations	90,000			90,000
Open Space Land Trust	6,136,726	(6,136,726)		-
<b>Restricted</b>				
Building Inspections	1,159,189		(724,316)	434,873
Fire Code Violations	369,322			369,322
Fire Grant Revenue	53,326			53,326
Law Enforcement Seizures	368,754		(9,696)	359,058
<b>Totals</b>	<b>30,248,138</b>	<b>(13,124,225)</b>	<b>(3,896,332)</b>	<b>13,227,581</b>
<b>Capital Improvements Fund</b>	<b>(6,305,354)</b>	<b>6,987,499</b>	<b>(682,145)</b>	<b>-</b>
<b>Open Space Trust Fund</b>	<b>-</b>	<b>6,136,726</b>	<b>1,077,927</b>	<b>7,214,653</b>

**II. Expectations for Budget Development Process and Controls**

We are finalizing our review of some of the Village's existing financial policies and practices and will be recommending several changes in order to become more transparent and compliant in our financial activities. Some of those changes have been made in closing out fiscal year 2018 and some have been taken into account with this budget revision. We are in the process of implementing more formal budgetary controls and purchasing practices that will provide the Village Manager better control over budgets, purchases, contracts, and financial reporting.

We are better integrating the capital budgeting process with the operating budget processes. As part of our accounting and financial reporting changes, we will be eliminating some funds and establishing others.

The Manager is committed to long-term financial sustainability and better transparency. To accomplish that goal, we will be recommending for adoption by the Council several financial policies in early 2019. These policies will help provide the framework around which the Village's budgets will be developed.

Some of these changes will require organizational adaptation and we will be working with the Village's departments to implement them.

Village of Key Biscayne

Exhibit A

Fiscal Year 2018

General Fund Budget Amendment

	FY2018 Adopted	Actuals @ 9/30/18	Proposed Amendment	FY2018 Amended
<b>Revenues</b>				
Ad-Valorem Taxes	\$24,643,294	\$24,992,663	\$349,368	\$24,992,663
Chapler 175 & 185	\$0	\$870,899	\$870,899	\$870,899
Utility Taxes	\$1,965,000	\$2,136,221	\$171,221	\$2,136,221
Communication Services Tax	\$715,000	\$734,422	\$19,422	\$734,422
Licenses & Permits	\$1,430,000	\$1,211,109	(\$218,891)	\$1,211,109
Franchise Fees	\$475,000	\$655,599	\$180,599	\$655,599
State Shared Revenue	\$1,335,000	\$1,411,741	\$76,741	\$1,411,741
Local Shared Revenue	\$32,000	\$113,869	\$81,869	\$113,869
Service Charges	\$3,400,300	\$3,707,798	\$307,498	\$3,707,798
Fines & Forfeitures	\$225,000	\$252,893	\$27,893	\$252,893
Other Revenue	\$28,500	\$162,967	\$134,467	\$162,967
Interest Income	\$30,000	\$37,333	\$7,333	\$37,333
<b>Total Revenues</b>	<b>\$34,279,094</b>	<b>\$36,287,513</b>	<b>\$2,008,419</b>	<b>\$36,287,513</b>
<b>Expenditures</b>				
Council	\$199,355	\$151,372	(\$47,983)	\$151,372
Manager	\$1,937,105	\$2,076,351	\$139,246	\$2,076,351
Clerk	\$426,148	\$456,236	\$30,088	\$456,236
Attorney	\$1,210,000	\$783,338	(\$426,662)	\$783,338
Debt Service	\$4,249,255	\$3,893,032	(\$356,223)	\$3,893,032
Building Division	\$1,673,244	\$1,775,222	\$101,978	\$1,775,222
Planning, Zoning & Code	\$630,042	\$620,881	(\$9,161)	\$620,881
Police	\$7,214,923	\$7,849,143	\$634,221	\$7,849,143
Fire Rescue	\$7,243,172	\$7,669,888	\$426,716	\$7,669,888
Public Works	\$2,356,493	\$3,922,810	\$1,566,317	\$3,922,810
Parks & Recreation	\$1,549,794	\$1,541,714	(\$8,080)	\$1,541,714
Community Center	\$2,794,236	\$2,867,809	\$73,573	\$2,867,809
Athletic Division	\$882,494	\$673,929	(\$208,565)	\$673,929
<b>Total Expenditures</b>	<b>\$32,366,261</b>	<b>\$34,281,726</b>	<b>\$1,915,464</b>	<b>\$34,281,726</b>
<b>Excess Revenues/(Expenditures)</b>	<b>\$1,912,833</b>	<b>\$2,005,787</b>	<b>\$92,954</b>	<b>\$2,005,787</b>
<b>Other(Sources)/Uses</b>				
Working Capital	\$0	(\$682,145)	(\$682,145)	(\$682,145)
Building Inspection Reserves	(\$453,242)	(\$724,316)	(\$271,074)	(\$724,316)
Parks & Rec Open Space Lands Trust	\$246,433	\$249,927	\$3,494	\$249,927
Capital Improvement Fund	\$2,119,642	\$3,162,320	\$1,042,679	\$3,162,320
<b>Excess Revenues/(Expenditures)</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>\$0</b>	<b>(\$0)</b>

Parks & Rec Open Space Land Trust Special Revenue Fund Budget Amendment

	FY2018 Adopted	Actuals @ 9/30/18	Proposed Amendment	FY2018 Amended
<b>Revenues</b>				
Grant	\$0	\$828,000	\$828,000	\$828,000
<b>Other Sources of Funds</b>				
Transfer in from General Fund	\$0	\$249,927	\$249,927	\$249,927
<b>Total Revenue &amp; Other Sources</b>	<b>\$0</b>	<b>\$1,077,927</b>	<b>\$1,077,927</b>	<b>\$1,077,927</b>

Capital Projects Fund Budget Amendment

	FY2018 Adopted	Actuals @ 9/30/18	Proposed Amendment	FY2018 Amended
<b>Other Sources of Funds</b>				
Transfer in from General Fund	\$0	\$2,119,642	\$2,119,642	\$2,119,642
Additional required amount from GF Working Capital Reserve	\$0	\$1,042,675	\$1,042,675	\$1,042,675
<b>Total Sources of Funds</b>	<b>\$0</b>	<b>\$3,162,317</b>	<b>\$3,162,317</b>	<b>\$3,162,317</b>
<b>Expenditures</b>				
General Government	\$468,864	\$37,860	(\$431,024)	\$37,860
Building, zoning and planning	\$89,000	\$4,042	(\$84,958)	\$4,042
Public Works	\$5,975,312	\$612,219	(\$5,363,093)	\$612,219
Recreation	\$3,735,709	\$1,730,999	(\$2,004,710)	\$1,730,999
Public Safety	\$688,768	\$777,197	\$88,429	\$777,197
<b>Total Expenditures</b>	<b>\$10,957,673</b>	<b>\$3,162,317</b>	<b>(\$7,795,356)</b>	<b>\$3,162,317</b>
<b>Excess Revenues/(Expenditures)</b>	<b>(\$10,957,673)</b>	<b>\$0</b>	<b>\$10,957,673</b>	<b>\$0</b>

**ORDINANCE NO. 2019-\_\_\_\_\_**

**AN ORDINANCE OF THE VILLAGE OF KEY BISCAYNE,  
FLORIDA, AMENDING ORDINANCE NO. 2017-7 WHICH  
ADOPTED THE BUDGET FOR FISCAL YEAR 2017-2018  
BY REVISING THE 2017-2018 FISCAL YEAR OPERATING  
BUDGET; PROVIDING FOR IMPLEMENTATION; AND  
PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, in accordance with Section 200.065, Florida Statutes, on October 10, 2017, the Village Council of the Village of Key Biscayne (the “Village”) adopted Ordinance No. 2017-7 approving the Fiscal Year 2017-2018 Budget; and

**WHEREAS**, upon the periodic review and analysis of current budgetary commitments and obligations, and based upon the projected needs and requirements of the Village and upon the recommendations of the Village Manager and the concurrence of the Interim Chief Financial Officer as to accounting principles, it is deemed necessary to adjust, amend and implement the 2017-2018 Operating Budget as set forth in Exhibit “A,” attached hereto; and

**WHEREAS**, the Village Council finds that adoption of this Ordinance is in the best interest and welfare of the Village and its residents.

**NOW, THEREFORE, BE IT ORDAINED BY THE VILLAGE COUNCIL OF THE VILLAGE OF KEY BISCAYNE, FLORIDA, AS FOLLOWS:**<sup>1</sup>

**Section 1.** **Recitals.** That the above-stated recitals are true and correct and are incorporated herein by this reference.

**Section 2.** **Amending Ordinance No. 2017-7.** That the Village Council hereby authorizes the amendment of Ordinance No. 2017-7, which Ordinance adopted a budget for the 2017-2018 fiscal year, by revising the 2017-2018 budget as set forth on the attached Exhibit “A,” which exhibits are deemed incorporated by reference as though set forth in full herein.

**Section 3.** **Implementation.** That the Village Manager is hereby authorized to take any and all action necessary to implement the purpose of this Ordinance.

**Section 4.** **Effective Date.** That this Ordinance shall become effective immediately upon final adoption on second reading and shall be applicable retroactively from and after October 1, 2017.

**PASSED** on first reading on the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

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<sup>1</sup> Coding: ~~Strikethrough words~~ are deletions to the existing words. Underlined words are additions to the existing words. Changes between first and second reading are indicated with **highlighted** ~~double-strikethrough~~ and double underline.

**PASSED AND ADOPTED** on second reading on the \_\_\_\_\_ day of \_\_\_\_\_, 2019.

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MICHAEL W. DAVEY, MAYOR

ATTEST:

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JENNIFER MEDINA, CMC  
VILLAGE CLERK

APPROVED AS TO FORM AND LEGALITY:

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VILLAGE ATTORNEY