

# Memorandum



**Date:** August 29, 2008

**To:** Nan Markowitz, Executive Director  
Office of the Citizens' Independent Transportation Trust

**From:** *Cathy Jackson*  
Cathy Jackson, Director  
Audit and Management Services Department

**Subject:** Audit Report – Charter County Transit System Surtax Review – City of Coral Gables

## PURPOSE AND SCOPE

As requested, we reviewed the City of Coral Gables' use of Charter County Transit System Surtax (Transit Surtax) proceeds remitted by Miami-Dade County (County) for the period January 1, 2003 through September 30, 2007, to verify compliance with the Interlocal Agreement. Our review included, but was not limited to, testing expenditures for propriety and assessing internal controls over recordkeeping and financial reporting.

## BACKGROUND

The City of Coral Gables encompasses 14.3 square miles Southwest of the City of Miami in Miami-Dade County. Coral Gables is governed by an elected Mayor and four Council members. The City Manager, as appointed by the Council, is responsible for day-to-day oversight and administration. During the five-year period ended September 30, 2007 the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted approximately \$6.3 million in Transit Surtax proceeds for Coral Gables to expend on qualifying transportation-related projects (Schedule I).

Pursuant to Section 212.055(1) Florida Statutes (2001), Miami-Dade County Ordinance (Ordinance) No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Transit Surtax on eligible sales transactions for transportation-related projects. Of the proceeds received by the County, 20% must be distributed to municipalities incorporated as of November 5, 2002 on a pro rata basis using population statistics. However, cities receiving Transit Surtax proceeds must continue the same level of General Fund support for transportation projects that was appropriated in their Fiscal Year (FY) 2002 Budget. Proceeds may be used to develop, construct, equip, maintain, operate, or expand:

- County-wide bus systems,
- Fixed guide-way rapid transit systems, and
- Roads and bridges in the County.

Surtax proceeds may also be used to secure bonds or pay debt service for such systems.

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Further, cities are required to apply at least 20% of the proceeds to transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure. If unable to do so, cities may apply such proceeds to a County project that enhances traffic mobility within their municipal boundaries, or funds shall be redistributed among other cities in the ensuing year for similar purposes.

Under the terms of the July 17, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), Coral Gables reported zero dollars as its FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the five years ended September 30, 2007, the City reported spending \$12.3 million on eligible transit and transportation-related projects (Table I).

Table I  
Surtax Proceeds and Expenditures Claimed  
For the Five Fiscal Years Ended September 30, 2007

	2002	2003	2004	2005	2006	2007
Maintenance of Effort (MOE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surtax Proceeds	\$ 810,009	\$ 1,241,148	\$ 1,298,953	\$ 1,467,752	\$ 1,480,710	\$ 6,298,572
Surtax Uses						
Transit Expenditures	\$ 274,318	\$ 2,007,485	\$ 1,228,207	\$ 1,600,719	\$ 1,715,832	\$ 6,826,561
Transportation Expenditures	951,678	1,003,946	1,155,228	1,182,364	1,171,105	5,464,321
Total	\$ 1,225,996	\$ 3,011,431	\$ 2,383,435	\$ 2,783,083	\$ 2,886,937	\$ 12,290,882

Source: OCITT and Coral Gables

As projects may take longer than a year to develop and construct, not all funds received for any given year will actually be spent; however, they must be appropriated within that fiscal year to avoid recapture. Thus, eligible expenditures are determined annually using actual expenditures or appropriated amounts for qualifying transit and transportation-related projects.

### SUMMARY RESULTS

Based upon our review, Coral Gables appropriately used the \$6.3 million received in Transit Surtax funds during the audit period on eligible transit and transportation projects (Schedules II and III). Albeit Coral Gables reported no MOE, we identified \$949,000 of qualifying expenditures in the entity's FY2002 Budget (Table II) that should be certified by City officials within 90 days.

Also, City officials were unable to provide our auditors with copies of annual reports required by the Interlocal Agreement. It is also recommended that OCITT redesign its Financial Recap Form to include data highlighting the 20% minimum amount that must be spent on transit-related projects and how it was applied to specific projects. Instructions for completing this form should be clarified to enhance preparation accuracy and completeness. In any event, reporting

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deficiencies and other obvious non-compliance matters should be promptly investigated and resolved within 30 days of receiving the annual Form.

These findings are more fully discussed in the remainder of this report. We appreciate the courtesies and assistance extended to our staff during the audit process. A written response is requested within 30 days, in accordance with Administrative Order 3-7. Please contact Nancy McKee, Deputy Director, at 305-349-6100 if you have any questions.

**FINDINGS AND RECOMMENDATIONS**

**General Fund Support**

Coral Gables reported zero dollars as its FY2002 General Fund transportation support level, however our auditors identified several transportation projects in the FY2002 General Fund Budget that should have been reported as MOE, as detailed below (Table II). Since municipalities are required to apply Surtax proceeds to supplement, rather than replace, their General Fund support for such projects, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE.

**Table II**  
**FY 2002 MOE**

<b>Description</b>	<b>Amount Budget</b>
Road & Street Maintenance Salaries	\$ 692,166
Operation & Maintenance of Street Equipment	206,446
Other Street Maintenance Expenses	50,375
Total	\$ 948,987

Source: Coral Gables FY2002 Budget

**Recommendation**

Require Coral Gables to certify a corrected MOE within 90 days or withhold future disbursements until the certification is received. At a minimum, the certified MOE should be \$948,987.

**Certification and Reporting Requirements**

Coral Gables could not provide our auditors with most of the required OCITT annual compliance reports, which include reports of qualifying expenditures and the Five-Year Transportation Plan. These reports are required to be submitted annually on June 1, along with a certification that OCITT funds were used in accordance with the terms of the Interlocal Agreement. While the Five-Year Transportation Plans were prepared and submitted, the annual reports of qualifying expenditures were not issued by City officials.

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Recommendation

- Coral Gables should submit all required reports to OCITT as required by the Interlocal Agreement.
- OCITT should establish formal record-keeping procedures to ensure that municipalities' annual reports are submitted on time and filed for subsequent review or audit.
- OCITT should consider withhold funding if reports are incomplete or delinquent.

CJ:zg

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts  
George M. Burgess, County Manager  
Robert A. Cuevas, Jr., County Attorney  
Ysela Llorca, Assistant County Manager  
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management  
Charles Anderson, Commission Auditor  
David L. Brown, City Manager, City of Coral Gables

## Schedule I

**Charter County Transit System Surtax  
Summary of Payments to Municipalities  
For the Five Fiscal Years Ended September 30, 2007**

Municipality	Fiscal Year Ended September 30					Total
	2003	2004	2005	2006	2007	
City of Aventura	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 3,953,925
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	477,008
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	746,873
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	490,117
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	6,298,572
Village of El Portal	47,795	73,232	76,045	84,400	84,367	365,839
City of Florida City	153,748	235,582	254,464	288,454	291,983	1,224,231
Town of Golden Beach	17,511	26,830	27,952	32,999	24,732	130,024
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	7,656,151	33,500,028
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	2,909,416
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	5,110,189
Indian Creek Village	625	955	931	1,093	-	3,604
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	1,596,032
Town of Medley	21,186	32,464	33,963	37,170	37,616	162,399
City of Miami	6,905,410	10,580,915	11,208,930	12,562,541	12,855,629	54,113,425
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	13,127,247
Town of Miami Lakes	460,331	705,348	737,093	822,002	822,114	3,546,888
Village of Miami Shores	197,655	302,860	313,826	346,278	348,437	1,509,056
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	1,985,806
City of North Bay Village	126,762	194,231	198,770	218,913	215,921	954,597
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	8,677,947
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	6,060,217
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	2,252,235
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	3,557,104
Village of Pinecrest	361,540	553,977	579,684	639,364	646,631	2,781,196
City of South Miami	203,889	312,415	323,655	360,476	351,494	1,551,929
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	2,333,368
Town of Surfside	95,908	146,959	157,799	184,160	144,185	729,011
City of Sweetwater	270,238	414,075	429,218	472,215	477,595	2,063,341
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	340,091
City of West Miami	113,307	173,613	185,212	202,961	194,190	869,283
	<u>\$ 21,054,793</u>	<u>\$ 32,261,501</u>	<u>\$ 33,986,547</u>	<u>\$ 37,903,517</u>	<u>\$ 38,214,640</u>	<u>\$ 163,420,998</u>

Source: Citizens' Independent Transportation Trust

**Annual Sources and Uses of Transit Surtax Funds  
For the Five Years Ended September 30, 2007**

	2002	2003	2004	2005	2006	All Years
<b>Surtax Proceeds</b>	\$ 810,009	\$ 1,241,148	\$ 1,298,953	\$ 1,467,752	\$ 1,480,710	\$ 6,298,572
<b>Reported Qualifying Costs:</b>						
Transit Expenditures	\$ 274,318	\$ 2,007,485	\$ 1,228,207	\$ 1,600,719	\$ 1,715,832	\$ 6,826,561
Transportation Expenditures	\$ 951,678	\$ 1,003,946	\$ 1,155,228	\$ 1,182,364	\$ 1,171,105	\$ 5,464,321
Less: MOE, as Corrected <sup>1</sup>	(948,987)	(948,987)	(948,987)	(948,987)	(948,987)	(4,744,935)
Transportation Expenditures, as adjusted	\$ 2,691	\$ 54,959	\$ 206,241	\$ 233,377	\$ 222,118	\$ 719,386
<b>AMS Analysis</b>						
<b>Transit Expenditures:</b>						
Required 20% Transit Minimum <sup>2</sup>	\$ 162,002	\$ 248,230	\$ 259,791	\$ 293,550	\$ 296,142	\$ 1,259,715
Qualifying Transit-Related Expenditures Applied	(274,318)	(2,007,485)	(1,228,207)	(1,600,719)	(1,715,832)	(6,826,561)
Adjustment for Prior-Year Appropriation <sup>3,4</sup>	-	533,000	-	-	-	533,000
Excess Transit Expenditures	\$ (112,316)	\$ (1,226,255)	\$ (968,416)	\$ (1,307,169)	\$ (1,419,690)	\$ (5,033,846)
<b>Transportation-Related Expenditures:</b>						
Remaining 80% Balance <sup>2</sup>	\$ 648,007	\$ 992,918	\$ 1,039,162	\$ 1,174,202	\$ 1,184,568	\$ 5,038,857
Excess Transit Expenditures Applied <sup>3</sup>	(112,316)	(992,918)	(968,416)	(1,174,202)	(1,184,568)	(4,432,420)
Qualifying Transportation-Related Expenditures Applied	(2,691)	-	(70,746)	-	-	(73,437)
Use of 2003 Appropriation to Cover the Shortfall <sup>3,4</sup>	(533,000)	-	-	-	-	(533,000)
Excess Transportation Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Analysis of Trolley Appropriation:</b>						
Beginning Balance	\$ -	\$ 1,078,652	\$ -	\$ -	\$ -	
2003 Appropriation for Trolley Purchase	1,348,315	-	-	-	-	
Trolley Costs Expended Against Appropriation	(269,663)	(1,078,652)	-	-	-	
Ending Balance	\$ 1,078,652	\$ -	\$ -	\$ -	\$ -	

<sup>1</sup> The City reported no MOE; however, AMS' review of the FY2002 Budget revealed that at least \$948,987 should have been reported.  
<sup>2</sup> At least 20% of Surtax proceeds must be used on transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible transportation projects as defined by Florida Statutes.  
<sup>3</sup> Excess transit expenditures and appropriations may be used to offset available transportation funds.  
<sup>4</sup> Appropriated funds expended in FY2004 to purchase additional trolleys.

Charter County Transit System Surtax - City of Coral Gables  
 Listing of Qualifying Surtax Projects  
 For the Five Years Ended September 30, 2007

Category	Fiscal Year Ended September 30					All Years
	2001	2002	2003	2004	2005	
<b>Transit Projects</b>						
Salaries - Trolley Manager	\$ -	\$ 51,102	\$ 78,744	\$ 93,736	\$ 110,282	\$ 333,984
Employee Benefits - Trolley Manager	-	25,854	32,478	38,957	49,847	147,136
Trolley Purchases (total of nine)	269,663	1,078,652	-	-	609,320	1,957,635
Professional Services - Trolley Drivers and Maintenance, Road Reconfiguration & Related Consulting	4,655	567,589	728,986	1,083,943	96,635	2,481,808
Public Works Vehicles Operation & Maintenance	-	-	-	5,082	5,082	10,164
Rental of Machinery and Equipment	-	-	-	48,687	66,389	115,076
Repair & Maintenance of Machinery & Equipment	-	284,248	385,696	328,953	770,816	1,769,753
Employee Uniforms & Training	-	-	2,303	1,341	7,361	11,005
	\$ 274,318	\$ 2,007,485	\$ 1,228,207	\$ 1,600,719	\$ 1,715,832	\$ 6,826,561
<b>Transportation Projects</b>						
Salaries - Road & Street Maintenance	\$ 497,903	\$ 489,080	\$ 532,269	\$ 556,888	\$ 427,496	\$ 2,503,636
Employee Benefits - Road & Street Maintenance	201,383	234,466	262,297	299,667	419,439	1,417,252
Public Works Vehicles Operation & Maintenance	195,628	205,987	284,757	240,786	240,786	1,167,944
Rental of Machinery and Equipment	-	-	1,209	-	540	1,749
Repair & Maintenance of Machinery & Equipment	-	-	1,111	371	177	1,659
Employee Uniforms & Training	9,498	9,624	6,080	3,033	4,924	35,179
Small Tools & Minor Equipment	2,722	2,147	1,589	2,602	589	9,649
Repair and Maintenance Parts & Supplies	1,991	585	809	3,074	3,118	9,577
Operating Equipment Replacements	2,053	-	139	535	-	2,747
Administrative Expenses (Limited to 5% of Surtax Proceeds)	40,500	62,057	64,948	73,388	74,036	314,929
	\$ 951,678	\$ 1,003,946	\$ 1,155,228	\$ 1,382,364	\$ 1,171,105	\$ 5,464,321
<b>Grand Total</b>	\$ 1,225,996	\$ 3,011,431	\$ 2,383,435	\$ 2,783,083	\$ 2,886,937	\$ 12,290,882

Source: City of Coral Gables General Ledgers.