

# Memorandum



**Date:** March 9, 2009

**To:** Charles D. Scurr, 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 Homestead

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## PURPOSE AND SCOPE

As requested, we reviewed the City of Homestead's 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, 2008, 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 Homestead (City) is located approximately 30 miles South of Miami, just to the North of Florida City. The City is governed by an elected Mayor, a Vice Mayor and five Council Members. The City Manager is appointed by the Mayor and is responsible for day-to-day operations. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$6.5 million in Transit Surtax proceeds for the City 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. Surtax funds must be spent or encumbered in the year of receipt. 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.

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 June 25, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as amended on April 19, 2007, the City reported \$821,000 as its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the six years ended September 30, 2008, the City did not submit required annual reports of qualifying expenditures to the OCITT (Table I).

**Table I**  
**Surtax Proceeds and Expenditures Claimed**  
**For the Six Fiscal Years Ended September 30, 2008**

Description	Fiscal Year Ended						All Years
	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	9/30/08	
Maintenance of Effort (MOE)	\$ 821,000	\$ 821,000	\$ 821,000	\$ 821,000	\$ 821,000	\$ 821,000	\$ 4,926,000
Surtax Proceeds	\$ 621,791	\$ 952,745	\$ 1,051,671	\$ 1,208,129	\$ 1,275,853	\$ 1,387,011	\$ 6,497,200
Surtax Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: OCITT and City of Homestead

### SUMMARY RESULTS

During the audit period, the City received \$6.5 million in Transit Surtax funds but did not report how it used those proceeds to OCITT as required. Nonetheless, City management reported actual transit and transportation expenditures to our auditors of \$12.5 million (Schedule II). Although the City reported \$821,000 as its FY2002 MOE, our auditors identified an additional \$398,000 in the FY2002 Budget that was not reported (Table II). Using the updated MOE, we determined that \$1.7 million (26%) of Surtax proceeds was not spent on eligible projects and thus is subject to recapture (Table III). The City also earned interest of \$104,000 on unused Surtax proceeds that should be subject to annual reporting and use restrictions as defined in the Ordinance. Further, City officials could not provide our auditors with copies of annual reports required by the Interlocal Agreement.

These and other findings and recommendations along with the City's responses (Attachment I) are presented in the remainder of this report. The City has disagreed with our findings and recommendations, however, we reaffirm the accuracy of our findings and request that the OCITT prepare a written response within 30 days, in accordance with Administrative Order 3-7. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact Nancy McKee, Deputy Director, at 305-349-6100 if you have any questions.

**FINDINGS AND RECOMMENDATIONS**

**General Fund Support**

The City reported its FY2002 MOE as \$821,000 which excluded other eligible transportation expenditures as defined by the OCITT. Since municipalities are required to apply Surtax proceeds to supplement, rather than replace, their General Fund support for eligible projects, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE. AMS identified other transportation projects totaling \$398,161 in the City’s FY2002 General Fund Budget that should have been reported as MOE (Table II).

Table II  
 FY 2002 MOE

Description	Budget	Actual
MOE, as Reported to OCITT		
Utilities, Street Lights	\$ 381,000	\$ 248,404
Street Maintenance & Construction	440,000	239,354
	821,000	487,758
Other Unreported Eligible MOE Items		
Street Maintenance Wages & Benefits	269,829	274,900
Street Maintenance Vehicle Repair and Support	128,332	116,605
	398,161	391,505
	<u>\$ 1,219,161</u>	<u>\$ 879,263</u>

Source: City of Homestead FY2002 Budget and General Ledger

**Recommendation**

Require the City to support and certify an MOE amount of at least \$1.2 million within 30 days or withhold future disbursements.

**City’s Response**

*The City objects to the recommendation that the maintenance of effort (MOE) should be considered \$1.2 million. The City also objects to AMS’s interpretation of the Interlocal Agreement provision that the amount provided for transportation should be defined as amounts appropriated, (Audit Report, Page 1, Background, second paragraph). The City contends that it defies logic for the MOE to be based on an estimate of the level of effort provided for transportation from the general fund when the level of effort was known and independently audited at the time the Interlocal Agreement was executed. When the agreement became effective, the level of effort provided for transportation from the general fund’s fiscal year 2001-2002 budget was known, reported and audited at \$894,042, (see Attachment I). The City agrees with AMS that the accuracy of the MOE is critical and that CITT funds are required to be used to supplement rather than replace general fund support for transportation projects. The City submits that*

*the most accurate manner in which to determine the MOE is to utilize the information that was available at the time the Interlocal Agreement became effective. Therefore, the City submits that the level of effort provided for transportation from the general fund's fiscal year 2001-2002 budget and the amount upon which the MOE should be based is \$894,042.*

**AMS Rejoinder**

*County Ordinance No. 02-116 states that "Surtax proceeds shall be distributed annually to those cities existing as of November 5, 2002 that meet the following conditions: (i) That continue to provide the same level of general fund support for transportation that is in their FY 2001-2002 budget in subsequent Fiscal Years..." The City's response and its Attachment I refer to actual FY2002 transportation expenditures. Budgeted FY2002 expenditures were \$1.2 million, thus we maintain the accuracy of our finding.*

**Use of Surtax Proceeds**

Municipalities are required to apply at least 20% of their Surtax proceeds to transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure, and the remaining 80% may be applied to general transportation projects. All Surtax proceeds must be spent or encumbered in the year of receipt. Although the City did not report any Surtax expenditures to the OCITT, Management provided a list of claimed qualifying projects to our auditors for review (Schedule II). Using those expenditures and the corrected MOE, we determined that the City was unable to expend \$484,000 of its required transit amount and \$1.2 million of its remaining 80% of Surtax proceeds on eligible transportation-related projects (Table III).

**Table III**  
**Transit Surtax Funds Recommended for Recapture**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds (Schedule I)	\$ 621,791	\$ 952,745	\$ 1,051,671	\$ 1,208,129	\$ 1,275,853	\$ 1,387,011	\$ 6,497,200
Reported Qualifying Costs (Schedule II):							
Transit Expenditures	\$ -	\$ 200,000	\$ 220,419	\$ 202,311	\$ 200,000	\$ 12,677	\$ 835,407
Transportation Expenditures	\$ 1,002,250	\$ 1,776,587	\$ 1,684,721	\$ 2,052,982	\$ 2,340,085	\$ 2,807,405	\$ 11,664,030
Less: MOE, as adjusted (Table II)	(1,219,161)	(1,219,161)	(1,219,161)	(1,219,161)	(1,219,161)	(1,219,161)	(7,314,966)
Net Transportation Expenditures	\$ (216,911)	\$ 557,426	\$ 465,560	\$ 833,821	\$ 1,120,924	\$ 1,588,244	\$ 4,349,064
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum <sup>1</sup>	\$ 124,358	\$ 190,549	\$ 210,334	\$ 241,626	\$ 255,171	\$ 277,402	\$ 1,299,440
Qualifying Transit-Related Expenditures Applied	-	(200,000)	(220,419)	(202,311)	(200,000)	(12,677)	(835,407)
Unused (Excess) Transit Funds <sup>2</sup>	\$ 124,358	\$ (9,451)	\$ (10,085)	\$ 39,315	\$ 55,171	\$ 264,725	\$ 464,033
Transportation Expenditures							
Remaining 80% Balance <sup>1</sup>	\$ 497,433	\$ 762,196	\$ 841,337	\$ 966,503	\$ 1,020,682	\$ 1,109,609	\$ 5,197,760
Excess Transit Expenditures Applied <sup>2</sup>	-	(9,451)	(10,085)	-	-	-	(19,536)
Qualifying Transportation Expenditures Applied	-	(557,426)	(465,560)	(833,821)	(1,020,682)	(1,109,609)	(3,987,098)
Unused Transportation Funds	\$ 497,433	\$ 195,319	\$ 365,692	\$ 132,682	\$ -	\$ -	\$ 1,191,126
Recommended Recapture:							
Transit	\$ 124,358	\$ -	\$ -	\$ 39,315	\$ 55,171	\$ 264,725	\$ 483,569
Transportation	497,433	195,319	365,692	132,682	-	-	1,191,126
	\$ 621,791	\$ 195,319	\$ 365,692	\$ 171,997	\$ 55,171	\$ 264,725	\$ 1,674,695

<sup>1</sup> At least 20% of Transit 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>2</sup> Excess transit expenditures may be used to offset available transportation funds.

**Recommendation**

OCITT should recapture or withhold \$1.7 million from subsequent remittances.

**City's Response**

*The City objects to the recommendation that the amount of \$1.7 million should be withheld from subsequent remittances. The City disagrees with the methodology employed by the AMS auditors. First and foremost, AMS has created an MOE that does not reflect the City's General Fund provision for transportation, as stated in response #1 above. Second, AMS is making an inconsistent comparison. Based on AMS's interpretation of the Interlocal Agreement provision that the amount provided for transportation should be defined as amounts appropriated, (Audit Report, Page 1, Background, second paragraph), comparisons between an appropriated amount for the MOE with actual expenditures from the General Fund in order to determine the recapture amount is not reasonable. The City*

*submits that AMS should be required to apply the Interlocal Agreement provision that the amount provided for transportation be applied consistently throughout the audit and not only when it is beneficial to the County. Only by comparing the general fund expenditures for transportation with the amount provided for transportation during fiscal year 2001-2002 can it be determined whether the Municipal Share was properly used 'to supplement and not replace, the City's general fund support for transportation', as per paragraph 4 of the Interlocal Agreement. Finally, according to the AMS auditors, transportation expenditures made in subsequent years in excess of the MOE plus the surtax proceeds are not eligible to offset under-expenditures made on transportation in previous years. There is absolutely no support for this point of view either within the Interlocal Agreement or within the Florida Statutes. Additionally, the fact that these are primarily capital projects and are generally not expected to be completed within one budgetary cycle lends itself, logically to the carryover of amounts budgeted for transportation expenditures. According to information obtained from Peter G. Lombardi, the Village Manager of Pinecrest, the County Attorney's Office has indicated on several occasion that the transportation portion of the surtax proceeds may be rolled over to future years so long as the projects are identified in the five-year Capital Improvement Plan submitted to the CITT, with which the City has complied. For these reasons, the City contends that there should be no recapture of any transportation surtax proceeds. Attachment 5 illustrates the City's interpretation of the Interlocal Agreement. The results of the City's analysis reflect a potential recapture amount of \$483,569 related entirely to proceeds allocated to transit projects. Although the City did not spend this amount on transit projects, the busway project had been ongoing since 2003, and it was unclear from the County's estimates, the exact amount the City would be required to pay for the upgrades to the lighting, fencing and bus shelters. In fact, initial estimates from the County came in at \$436,425 during March 2003, (see Attachment 2). That required the City to set aside transit funds for the first 3 years, 2003-2005. Then, during June 2005, the City received notice that the bid for the upgrades had been accepted by the County at \$812,677, (see Attachment 3). This required the City to set aside additional transit funds for 2006 and 2007. However, the City did not receive the final request for payment until August 2008, (see Attachment 4). For that reason, the City maintained the remaining portion of the transit proceeds for contingency purposes. Had the cost of the upgrades doubled again, the City would have had to provide the additional funding from other sources. The City has been planning a bus circulator system for some time now and if it were not for the need to set aside those transit funds, the trolley would be completed and operational. As it stands, the City has recently received some federal grant funds for the circulator, but will keep the plans on hold until these audit findings are resolved. For all of the reasons described herein, the City contends that the OCITT should not recapture any funds (see Attachment 5).*

**AMS Rejoinder**

*The City's concerns regarding the General Fund Support is addressed by AMS on page 4. Moreover, a June 30, 2004 Legal Opinion Concerning Municipal Use of Surtax Funds states, "It is understood that both transit and transportation projects may take longer than a year to develop and construct. As such, it is understood that not all of the monies received by the municipalities for any given year will actually be spent in that fiscal year. The monies, however, must be authorized and appropriated within that fiscal year." The City's unused Surtax proceeds in FY2003-2008 were neither expended nor encumbered, thus we reaffirm the accuracy of our finding.*

**Interest Earned on Surtax Proceeds**

The City earned \$104,102 in interest from unspent Surtax proceeds for the period January 1, 2003 through September 30, 2008. The Interlocal Agreement does not require annual reporting of interest earned; therefore the OCITT cannot ensure that interest earnings are spent on transit and transportation projects.

**Recommendation**

OCITT should require annual reporting of interest earned from unspent Surtax proceeds, and should require that such funds be utilized for eligible transit and transportation projects.

**City's Response**

*The Interlocal Agreement is silent on the subject of interest earned on surtax proceeds and the City is required neither to allocate, record nor report any interest that may be attributable to the surtax proceeds. The City has not, and will not report said amounts unless or until the Interlocal Agreement is amended to include this provision.*

**AMS Rejoinder**

*Interest earned on any grant funding is always restricted to use for the related grant purposes. Surtax interest is no different. Significant interest earnings on unused Surtax proceeds should either be used for qualifying transit and transportation expenditures, or recaptured by the OCITT.*

### **Certification and Reporting Requirements**

The City could not provide our auditors with reports of qualifying OCITT expenditures, nor the required certification reports. These reports must be submitted annually on June 1, including a certification that OCITT funds were used in accordance with the terms of the Interlocal Agreement.

#### **Recommendation**

- The City should submit all required reports to the OCITT as specified in the Interlocal Agreement.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

#### **City's Response**

*The City agrees that all required reports should be submitted to the OCITT pursuant to the terms of the Interlocal Agreement. However, the Interlocal Agreement does not include any requirement for the City to submit annual reports of qualifying OCITT expenditures as was suggested by AMS. Additionally, the City contends that all required reports have been submitted to the OCITT, as evidenced by the email from Nestor Toledo from the OCITT, (see Attachment 6).*

#### **AMS Rejoinder**

*Paragraph 7 of the Interlocal Agreement and Paragraph 4.2 of the Revised Interlocal Agreement state that the City shall certify to the County that "it is using the current year's portion of the Municipal Share received in accordance with this Agreement. Such certification shall include a certified copy of City's budget for the current fiscal year, together with a list of the projects...on which the current year's portion of the Municipal Share received is being expended." The City neither submitted the certification statement, nor the report of projects on which the Surtax funds were expended, thus we reaffirm our finding.*

CJ:zg

#### **Attachments**

- c: Honorable Harvey A. Ruvin, Clerk of the Courts  
George M. Burgess, County Manager  
Robert A. Cuevas, Jr., County Attorney  
Ysela Llort, Assistant County Manager  
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management

Charles Anderson, Commission Auditor  
Mike A. Shehadeh, P.E., City Manager, City of Homestead

**Charter County Transit System Surtax  
Summary of Payments to Municipalities  
For the Six Fiscal Years Ended September 30, 2008**

Municipality	Fiscal Year Ended September 30,						Total
	2003	2004	2005	2006	2007	2008	
City of Aventura	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 946,296	\$ 4,900,221
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	95,526	572,534
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	167,339	914,212
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	106,676	596,793
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	1,426,754	7,725,326
Village of El Portal	47,795	73,232	76,045	84,400	84,367	82,000	447,839
City of Florida City	153,748	235,582	254,464	288,454	291,983	295,447	1,519,678
Town of Golden Beach	17,511	26,830	27,952	32,999	24,732	7,016	137,040
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	7,656,151	7,336,976	40,837,004
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	657,921	3,567,337
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	1,387,011	6,497,200
Indian Creek Village	625	955	931	1,093	-	-	3,604
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	368,354	1,964,386
Town of Medley	21,186	32,464	33,963	37,170	37,616	41,385	203,784
City of Miami	6,905,410	10,580,915	11,208,930	12,562,541	12,855,629	12,574,719	66,688,144
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	2,960,734	16,087,981
Town of Miami Lakes	460,331	705,348	737,093	822,002	822,114	876,926	4,423,814
Village of Miami Shores	197,655	302,860	313,826	346,278	348,437	335,963	1,845,019
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	440,937	2,426,743
City of North Bay Village	126,762	194,231	198,770	218,913	215,921	186,169	1,140,766
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	1,919,328	10,597,275
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	1,307,355	7,367,572
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	497,615	2,749,850
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	807,842	4,364,946
Village of Pinecrest	361,540	553,977	579,684	639,364	646,631	627,523	3,408,719
City of South Miami	203,889	312,415	323,655	360,476	351,494	338,279	1,890,208
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	582,250	2,915,618
Town of Surfside	95,908	146,959	157,799	184,160	144,185	181,058	910,069
City of Sweetwater	270,238	414,075	429,218	472,215	477,595	458,867	2,522,208
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	76,184	416,275
City of West Miami	113,307	173,613	185,212	202,961	194,190	184,561	1,053,844
	<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>\$ 37,275,011</u>	<u>\$ 200,696,009</u>

Source: Citizens' Independent Transportation Trust

**Charter County Transit System Surtax - City of Homestead**  
**Listing of Qualifying Surtax Projects**  
**For the Six Fiscal Years Ended September 30, 2008**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
<b>Transit Projects</b>							
South Dade Busway	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 12,677	\$ 812,677
Busway Contamination Assessment	-	-	20,419	2,311	-	-	22,730
Total Transit Projects	-	200,000	220,419	202,311	200,000	12,677	835,407
<b>Transportation Projects</b>							
All Hydraulic Dozer	-	-	118,687	-	-	-	118,687
Asphalt Milling & Thermoplastic Striping	-	254,390	110,759	455,727	599,606	666,144	2,086,626
Asphalt Reclaimer 4 Ton	-	-	-	-	-	25,331	25,331
Asphalt Zipper 48"	-	-	-	-	82,950	-	82,950
Cab Utility Vehicle	-	-	36,462	-	-	-	36,462
Campbell Drive Landscape & Irrigation	-	-	-	-	-	15,000	15,000
Crushed Lime Rock	-	-	-	-	-	1,000	1,000
Dump Truck	-	-	-	-	-	102,331	102,331
Security Fencing for Materials	-	-	-	-	-	25,321	25,321
Front End Loader	-	-	-	-	177,695	-	177,695
Guardrail Materials and Labor	-	10,990	-	-	-	-	10,990
High Deck Paver	-	89,779	-	-	-	-	89,779
Hydraulic Excavator	-	199,340	-	-	-	-	199,340
Loader Backhoe	-	70,205	-	-	-	-	70,205
Mini Excavator ZX36	-	-	-	-	-	35,660	35,660
Motor Grader	-	98,312	-	-	-	-	98,312
Rental of Street Barricades	-	3,480	-	-	-	-	3,480
Road Materials, RIP Wrap Cement	-	1,061	-	-	-	-	1,061
Sidewalk Repairs	-	-	-	54,909	-	-	54,909
Steel Storage Building	-	-	110,465	110,466	-	-	220,931
Storage Shed Wire Installation	-	-	-	-	13,170	-	13,170
Striping Paint	-	3,440	-	-	-	-	3,440
Surveying Services SW 328 Street	-	2,000	-	-	-	-	2,000
Swale Rehab & Improvement	-	13,536	2,500	-	-	-	16,036
Thermoplastic Striping Applicator	-	8,865	-	-	-	-	8,865

**Charter County Transit System Surtax - City of Homestead**  
**Listing of Qualifying Surtax Projects**  
**For the Six Fiscal Years Ended September 30, 2008**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
<b>Transportation Projects Continued</b>							
Transportation Element Update	\$ -	\$ -	\$ -	\$ -	\$ 19,313	\$ -	\$ 19,313
Urban Design Review/Traffic Review	-	-	-	-	8,649	-	8,649
Transit/Transportation Master Plan	-	-	82,846	183,467	-	-	266,313
Wheeled Excavator	-	-	-	-	170,323	-	170,323
Widening NE 15th Avenue	-	-	-	9,541	-	-	9,541
Salaries & Fringe Benefits	-	-	-	-	-	163,344	163,344
<b>Total Transportation Fund Projects</b>	<b>-</b>	<b>755,398</b>	<b>461,719</b>	<b>814,110</b>	<b>1,071,706</b>	<b>1,034,131</b>	<b>4,137,064</b>
<b>General Fund Projects</b>							
Salaries & Fringe Benefits	243,706	297,645	284,119	264,216	333,815	418,719	1,842,220
Vehicle Repair, Support & Other	105,877	152,599	165,956	147,022	142,746	179,701	893,901
Utilities, Street Lights	289,550	473,860	524,547	571,491	584,124	591,249	3,034,821
Street Maintenance & Construction	332,027	49,448	195,796	195,737	143,901	514,254	1,431,163
<b>Total General Fund Projects</b>	<b>971,160</b>	<b>973,552</b>	<b>1,170,418</b>	<b>1,178,466</b>	<b>1,204,586</b>	<b>1,703,923</b>	<b>7,202,105</b>
Administrative Fees (limited to 5% of Proceeds)	31,090	47,637	52,584	60,406	63,793	69,351	324,861
<b>Total Transportation Projects</b>	<b>1,002,250</b>	<b>1,776,587</b>	<b>1,684,721</b>	<b>2,052,982</b>	<b>2,340,085</b>	<b>2,807,405</b>	<b>11,664,030</b>
<b>Total Transit and Transportation Projects</b>	<b>\$ 1,002,250</b>	<b>\$ 1,976,587</b>	<b>\$ 1,905,140</b>	<b>\$ 2,255,293</b>	<b>\$ 2,540,085</b>	<b>\$ 2,820,082</b>	<b>\$ 12,499,437</b>

Source: City of Homestead General Ledgers



## MEMORANDUM

**TO:** Charles D. Scurr, Interim Director  
Office of the Citizens' Independent Transportation Trust

**FROM:** Mike A. Shehadeh, P.E., City Manager

**DATE:** January 23, 2009

**SUBJECT:** Responses to Findings & Recommendations of the  
Audit Report

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### **PURPOSE**

The purpose of this memo is to respond to the Miami-Dade County Audit and Management Services Department's (AMS) findings and recommendations documented in their audit report dated January 6, 2009 with regard to the City of Homestead's use of Charter County Transit System Surtax (CITT) proceeds received from Miami-Dade County for the period beginning January 1, 2003 and ending September 30, 2008.

### **BACKGROUND**

The City of Homestead and Miami-Dade County entered into the 'Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County' on June 25, 2003 in order to enhance transportation and transit activities within the City. According to the pertinent provisions contained therein, the City is required to use the CITT proceeds to supplement amounts expended for transportation purposes and not to replace those general fund expenditures. Each year, the City is required to provide certain documents: 1) certifying that the City is providing for the same level of general fund support for transportation that was provided in FY 2001-2002, 2) certifying that the Municipal Share of CITT proceeds have been used appropriately, 3) a certified copy of the City's current fiscal year budget and, 4) a list of projects on which the CITT proceeds is being expended.

**RECOMMENDATION #1 – General Fund Support:**

AMS recommends that the City be required to support and certify an MOE in the amount of at least \$1.2 million within 30 days or withhold future disbursements.

**RESPONSE #1 – General Fund Support:**

The City objects to the recommendation that the maintenance of effort (MOE) should be considered \$1.2 million. The City also objects to AMS's interpretation of the Interlocal Agreement provision that the amount provided for transportation should be defined as amounts appropriated, (Audit Report, Page 1, Background, second paragraph). The City contends that it defies logic for the MOE to be based on an estimate of the level of effort provided for transportation from the general fund when the level of effort was known and independently audited at the time the Interlocal Agreement was executed. When the Agreement became effective, the level of effort provided for transportation from the general fund's fiscal year 2001-2002 budget was known, reported and audited at \$894,042, (see Attachment 1). The City agrees with AMS that the accuracy of the MOE is critical and that CITT funds are required to be used to supplement rather than replace general fund support for transportation projects. The City submits that the most accurate manner in which to determine the MOE is to utilize the information that was available at the time the Interlocal Agreement became effective. Therefore, the City submits that the level of effort provided for transportation from the general fund's fiscal year 2001-2002 budget and the amount upon which the MOE should be based is \$894,042.

**RECOMMENDATION # 2 – Use of Surtax Proceeds:**

OCITT should recapture or withhold \$1.7 million from subsequent remittances.

**RESPONSE #2 – Use of Surtax Proceeds:**

The City objects to the recommendation that the amount of \$1.7 million should be withheld from subsequent remittances. The City disagrees with the methodology employed by the AMS auditors. First and foremost, AMS has created an MOE that does not reflect the City's General Fund provision for transportation, as stated in response # 1, above. Second, AMS is making an inconsistent comparison. Based on AMS's interpretation of the Interlocal Agreement provision that the amount provided for transportation should be defined as amounts appropriated, (Audit Report, Page 1, Background, second paragraph), comparisons between an appropriated amount for the MOE with actual expenditures from the General Fund in order to determine the

recapture amount is not reasonable. The City submits that AMS should be required to apply the Interlocal Agreement provision that the amount provided for transportation be applied consistently throughout the audit and not only when it is beneficial to the County. Only by comparing the general fund expenditures for transportation with the amount provided for transportation during fiscal year 2001-2002 can it be determined whether the Municipal Share was properly used 'to supplement and not replace, the City's general fund support for transportation', as per paragraph 4 of the Interlocal Agreement. Finally, according to the AMS auditors, transportation expenditures made in subsequent years in excess of the MOE plus the surtax proceeds are not eligible to offset under-expenditures made on transportation in previous years. There is absolutely no support for this point of view either within the Interlocal Agreement or within the Florida Statutes. Additionally, the fact that these are primarily capital projects and are generally not expected to be completed within one budgetary cycle lends itself, logically to the carryover of amounts budgeted for transportation expenditures. According to information obtained from Peter G. Lombardi, the Village Manager of Pinecrest, the County Attorney's Office has indicated on several occasions that the transportation portion of the surtax proceeds may be rolled over to future years so long as the projects are identified in the five-year Capital Improvement Plan submitted to the CITT, with which the City has complied. For these reasons, the City contends that there should be no recapture of any transportation surtax proceeds. Attachment 5 illustrates the City's interpretation of the Interlocal Agreement. The results of the City's analysis reflect a potential recapture amount of \$483,569 related entirely to proceeds allocated to transit projects. Although the City did not spend this amount on transit projects, the busway project had been ongoing since 2003, and it was unclear from the County's estimates, the exact amount the City would be required to pay for the upgrades to the lighting, fencing and bus shelters. In fact, initial estimates from the County came in at \$436,425 during March 2003, (see Attachment 2). That required the City to set aside transit funds for the first 3 years, 2003-2005. Then, during June 2005, the City received notice that the bid for the upgrades had been accepted by the County at \$812,677, (see Attachment 3). This required the City to set aside additional transit funds for 2006 and 2007. However, the City did not receive the final request for payment until August 2008, (see Attachment 4). For that reason, the City maintained the remaining portion of the transit proceeds for contingency purposes. Had the cost of the upgrades doubled again, the City would have had to provide the additional funding from other sources. The City has been planning a bus circulator system for some

time now and if it were not for the need to set aside those transit funds, the trolley would be completed and operational. As it stands, the City has recently received some federal grant funds for the circulator, but will keep the plans on hold until these audit findings are resolved. For all of the reasons described herein, the City contends that the OCITT should not recapture any funds (see Attachment 5).

**RECOMMENDATION # 3 – Interest Earned on Surtax Proceeds:**

OCITT should require annual reporting of interest earned from unspent Surtax proceeds, and should require that such funds be utilized for eligible transit and transportation projects.

**RESPONSE #3 – Interest Earned on Surtax Proceeds:**

The Interlocal Agreement is silent on the subject of interest earned on surtax proceeds and the City is required neither to allocate, record nor report any interest that may be attributable to the surtax proceeds. The City has not, and will not report said amounts unless or until the Interlocal Agreement is amended to include this provision.

**RECOMMENDATION #4 – Certification and Reporting Requirements:**

- The City should submit all required reports to the OCITT as specified in the Interlocal Agreement.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

**RESPONSE #4 – Certification and Reporting Requirements:**

The City agrees that all required reports should be submitted to the OCITT pursuant to the terms of the Interlocal Agreement. However, the Interlocal Agreement does not include any requirement for the City to submit annual reports of qualifying OCITT expenditures as was suggested by AMS. Additionally, the City contends that all required reports have been submitted to the OCITT, as evidenced by the email from Nestor Toledo from the OCITT, (see Attachment 6).

**CONCLUSION**

The OCITT has often complemented the City of Homestead for compliance with the provisions of the Interlocal Agreement. City staff are prepared to meet with OCITT staff to discuss the results of this audit and the future of the Transit System Surtax program.

Attachments

cc: Cathy Jackson, Director, AMS

GROUP NBR	PO NBR	ACCTG PER.	CD	TRANSACTION DATE	DESCRIPTION	YTD/CURRENT ESTIM/APPROP	YTD/CURRENT ENCUMBRANCE	ACTUAL	CURRENT BALANCE
FUND 001 GENERAL FUND									
001	5020	541.12	10		SALARIES & WAGES / FULL-TIME WAGES	185,177	.00	183,116.39	2,060.61
001	5020	541.14	10		OVERTIME / OVERTIME WAGES	5,600	.00	8,167.80	2,567.80
001	5020	541.15	10		SPECIAL PAY / LONGEVITY PAY	2,239	.00	2,238.91	.09
001	5020	541.15	54		SPECIAL PAY / MEAL ALLOWANCE	1,500	.00	1,071.00	429.00
001	5020	541.15	55		SPECIAL PAY / TOLLS & MILEAGE	50	.00	16.48	33.52
001	5020	541.18	10		OTHER EMPLOYEE COSTS / FICA EMPLOYER CON	14,070	.00	14,120.30	50.30
001	5020	541.18	20		OTHER EMPLOYEE COSTS / GENERAL EMPLOYEES	23,003	.00	22,874.97	128.03
001	5020	541.18	30		OTHER EMPLOYEE COSTS / LIFE & HEALTH INS	19,800	.00	25,009.25	5,209.25
001	5020	541.18	35		OTHER EMPLOYEE COSTS / PCS CONTRIBUTION	1,800	.00	2,516.41	716.41
001	5020	541.18	40		OTHER EMPLOYEE COSTS / WORKER'S COMPENSA	16,626	.00	16,540.95	85.05
001	5020	541.18	50		OTHER EMPLOYEE COSTS / UNEMPLOYMENT COMP	1,764	.00	1,744.76	19.24
001	5020	541.31	10		SUPPLIES / OFFICE	500	.00	788.96	1,288.96
001	5020	541.31	20		SUPPLIES / GENERAL DEPARTMENTAL SUPP	7,000	.00	2,803.63	4,196.37
001	5020	541.31	30		SUPPLIES / SPECIAL DEPARTMENTAL	45,494	.00	38,839.81	6,654.19
001	5020	541.34	16		OTHER SERVICES / AUTO, TAGS AND LICENSES	250	.00	85.85	164.15
001	5020	541.34	20		OTHER SERVICES / EMPLOYEE TESTING	737	.00	861.44	124.44
001	5020	541.34	23		OTHER SERVICES / TRAVEL & TRAINING	30	.00	10.00	20.00
001	5020	541.34	25		OTHER SERVICES / DUES/SUBSCRIPTIONS/BOOK	250	.00	90.63	159.37
001	5020	541.34	34		OTHER SERVICES / FLEET EQUIP RENTAL CHG	31,088	.00	32,020.32	932.32
001	5020	541.34	35		OTHER SERVICES / GEN. LIABILITY INSURANC	17,668	.00	17,668.00	.00
001	5020	541.34	39		OTHER SERVICES / ELECTRICITY CHARGES	0	.00	.00	.00
001	5020	541.34	52		OTHER SERVICES / STREET LIGHTS	381,000	.00	248,404.19	132,595.81
001	5020	541.35	20		REPAIRS & MAINTENANCE / AUTOMOBILE	44,500	.00	42,854.54	1,645.46
001	5020	541.35	60		REPAIRS & MAINTENANCE / MAINT. CONTRACTS	539	.00	521.50	17.50
001	5020	541.60	15		CAPITAL OUTLAY / LAND IMPROVEMENTS	0	.00	6,100.00	6,100.00
001	5020	541.60	50		CAPITAL OUTLAY / EQUIP (OTHER THAN OFFIC	440,000	.00	239,354.32	200,645.68
FUND TOTAL						1,240,685	.00	894,042.49	346,642.51
GRAND TOTAL						1,240,685	.00	894,042.49	346,642.51

A. Thechmanet 1

MIAMI-DADE COUNTY, FL



STEPHEN P. CLARK CENTER

OFFICE OF THE COUNTY MANAGER  
SUITE 2010  
111 N.W. 1st STREET  
MIAMI, FLORIDA 33120-1894  
(305) 376-8311

March 27, 2003

Ms. Lynda Kompellen, AICP  
Executive Director  
Community Redevelopment Agency  
City of Homestead  
790 N. Homestead Blvd.  
Homestead, Florida 33030

Re: Busway Extension to Florida City - Phase II, Segment II  
(From SW 264 Street to SW 344 Street)  
Funding for Additional Improvements Requested by the City of Homestead

Dear Ms. Kompellen:

This shall serve as a follow-up to my letter of November 14, 2002 where we expressed the need for the City of Homestead to fund some of the major additional improvements, requested by the City, as expressed in the commitments formalized at the end of the Project Development and Environmental Phase of the project in 1997. In order to accommodate the City's requests, the following items need additional funds:

- |  |                                   |
|--|-----------------------------------|
| 1. Wooden Fence (from SW 304 St. to SW 328 St.): | \$168,960 over original estimate  |
| 2. Lighting (from SW 304 St. to SW 328 St.):     | \$ 83,200 over original estimate  |
| 3. Bus Shelters (6):                             | \$184,266 over prototype estimate |

These additional improvements have increased the cost estimate of the project by approximately \$436,425. Attached please find a copy of the cost comparison tables for your information. Please be advised that you can use this figure of \$436,425 for budget purposes, however, the final cost will be known after the bid opening.

We look forward to getting a commitment from the City of Homestead to fund these improvements. The Office of Public Transportation Management (OPTM) remains committed to continue the coordination efforts with the City and its residents to make this project a success.

Sincerely,

Isabel Padron, P.E.  
Busway Project Manager

Attachments

- c: Aurelio Rodriguez, P.E.
- Rafael Morejon, P.E.
- Raquel Rosal, P.E.
- Alberto Parjus
- File: 9.08-19

Attachment 2

**CITY OF HOMESTEAD, FLORIDA**

790 N. HOMESTEAD BOULEVARD • HOMESTEAD, FLORIDA 33030

TELEPHONE: (305) 224-4400 • FAX: (305) 224-4439 • E-Mail: <http://ci.homestead.fl.us>

ROSCOE WARREN, *Mayor*  
LYNDA BELL, *Vice-Mayor*  
CURTIS K. IVY, JR., *City Manager*

*COUNCIL MEMBERS:*  
AMANDA S. GARNER  
NORMAN I. HODGE, JR.

STEVEN D. LOSNER  
JEFFREY D. PORTER  
JUDY WALDMAN

June 22, 2005

Mr. Charles W. Parkinson, Jr.  
Chief, Management Services  
Miami-Dade Transit  
111 NW 1<sup>st</sup> Street, Suite 910  
Miami, Florida 33128-1999

RE: Bid Documentation for Busway Shelters, Fencing & Lighting

Dear Mr. Parkinson, Jr.:

As per our discussion referenced the interlocal agreement between Miami-Dade County and the City of Homestead for the Busway Shelters, Fencing and Lighting, the City of Homestead Council approved on June 20, the additional costs related to the busway construction.

The cost as per the bid was \$812,677. See attached memo that was presented on 6/20/05 to Council reference additional costs.

If any addition information is needed please do not hesitate to call me at 305-224-4484.

Sincerely,



Dan Wick  
City of Homestead  
Community Redevelopment Agency

Attachment 3



Transit  
701 NW 1st Court • Suite 1500  
Miami, Florida 33136-3912  
T 786-469-5431 F 786-469-5574

miamidade.gov

Carlos Alvarez, Mayor

August 15, 2008

Mr. Dan Wick  
Assistant City Manager  
City of Homestead, Florida  
790 N. Homestead Boulevard  
Homestead, Florida 33030

**RE: Busway Extension to Florida City – Phase II, Segment II  
Interlocal agreement with City of Homestead for Improved Busway Shelters,  
Fencing and Lighting**

Dear Mr. Wick:

Pursuant to the Interlocal Agreement with the City of Homestead for Improved Busway Shelters, Fencing and Lighting and Resolution R-572-04; Miami Dade County is requesting payment in the amount of \$812,677.00 for the additional improvements as requested by the City of Homestead.

Incremental cost for providing the Homestead Shelters	\$384,000.00
Incremental cost for providing wood fence from 304 street to 328 street	\$92,000.00
Incremental cost for providing ornamental lighting	\$336,677.00
<b>TOTAL</b>	<b>\$812,677.00</b>

We look forward to assist the City of Homestead in the near future. Miami-Dade Transit remains committed to continue the coordination efforts with the City and its residents to make this and future projects a success.

Sincerely,

*Ronald S. Steiner*

Ronald Steiner, P.E.  
Chief, Transit Construction

Enclosures

c: Isabel Padron, P.E.  
James Sumoski, P.E.  
Malka Rodriguez

*John 8/20  
Julio ... Original  
John ... Copy  
Malka ... Copy - FC & L  
Isabel ... Copy - FC & L*

Attachment 4

## Attachment 5

## Transit Surtax Funds for Potential Recapture

	2003	2004	2005	2006	2007	2008	Total
Surtax Proceeds	\$ 621,791	\$ 952,745	\$ 1,051,671	\$ 1,208,129	\$ 1,275,853	\$ 1,387,011	\$ 6,497,200
Transit Expenditures	\$ -	\$ 200,000	\$ 220,419	\$ 202,311	\$ 200,000	\$ 12,677	\$ 835,407
Transportation Expenditures	1,002,250	1,776,587	1,684,721	2,052,982	2,340,085	2,807,405	11,664,030
MOE	894,042	894,042	894,042	894,042	894,042	894,042	5,364,252
Net Expenditures	\$ 108,208	\$ 882,545	\$ 790,679	\$ 1,158,940	\$ 1,446,043	\$ 1,913,363	\$ 6,299,778
20% Requirement	\$ 124,358	\$ 190,549	\$ 210,334	\$ 241,626	\$ 255,171	\$ 277,402	\$ 1,299,440
Qualifying	-	200,000	220,419	202,311	200,000	12,677	835,407
Unused	\$ 124,358	\$ (9,451)	\$ (10,085)	\$ 39,315	\$ 55,171	\$ 264,725	\$ 464,033
80% Requirement	\$ 497,433	\$ 762,196	\$ 841,337	\$ 966,503	\$ 1,020,682	\$ 1,109,609	\$ 5,197,760
Excess Transit	-	(9,451)	(10,085)	-	-	-	(19,536)
Qualifying	(108,208)	(882,545)	(790,679)	(1,158,940)	(1,446,043)	(1,913,363)	(6,299,778)
Unused	\$ 389,225	\$ (129,800)	\$ 40,573	\$ (192,437)	\$ (425,361)	\$ (803,754)	\$ (1,121,554)
Recapture							
Transit	\$ 124,358	\$ -	\$ -	\$ 39,315	\$ 55,171	\$ 264,725	\$ 483,569
Transportation	389,225	-	40,573	-	-	-	429,798
Total	\$ 513,583	\$ -	\$ 40,573	\$ 39,315	\$ 55,171	\$ 264,725	913,367
Carryover amounts							(913,367)
Potential Recapture							\$ -

**Ana Azicri**

---

**From:** Toledo, Nestor (CITT) [NTOLEDO@miamidade.gov]  
**Sent:** Friday, January 23, 2009 11:47 AM  
**To:** Ana Azicri  
**Subject:** RE: PTP Certification

Ana:

As per each ILA, the City of Homestead has met the requirements each year since 2003. To the best of my knowledge, the City of Homestead has always provided their 5 – year Transportation Plan, Annual Budget and MOE letter on a timely manner.

---

**From:** Ana Azicri [mailto:aazicri@cityofhomestead.com]  
**Sent:** Friday, January 23, 2009 10:00 AM  
**To:** Toledo, Nestor (CITT)  
**Subject:** PTP Certification

Good morning Nestor,

This email is to verify that the City of Homestead has complied with the People Transportation Plan annual certification since 2003 to present, as per interlocal agreement.

Thank you for your assistance.

Ana Azicri  
Coordinator  
Public Works and Svcs Dept.  
(305) 224-4777  
(305) 242-6888 Fax  
[aazicri@cityofhomestead.com](mailto:aazicri@cityofhomestead.com)

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