

# 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 Florida City

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## PURPOSE AND SCOPE

As requested, we reviewed the City of Florida City'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 Florida City (City) is the southernmost municipality in Miami-Dade County. The City is governed by an elected Mayor, who is responsible for day-to-day operations, and four Commissioners. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$1.5 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 September 8, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as amended on July 10, 2007, the City reported \$165,000 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 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)	\$ 165,000	\$ 165,000	\$ 165,000	\$ 165,000	\$ 165,000	\$ 165,000	\$ 990,000
Surtax Proceeds	\$ 153,748	\$ 235,582	\$ 254,464	\$ 288,454	\$ 291,983	\$ 295,447	\$ 1,519,678
Surtax Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: OCITT and City of Florida City

### SUMMARY RESULTS

During the audit period, the City received \$1.5 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 \$3.1 million (Schedule II). Although the City reported \$165,000 as its FY2002 MOE, our auditors identified an additional \$47,700 in the FY2002 Budget that was not reported (Table II). Using the updated MOE, we determined that \$411,096 (27%) of Surtax proceeds was not spent on eligible projects and thus is subject to recapture (Table III). The City also accounts for its Surtax proceeds and expenditures in the General Fund and has not established separate Surtax accounts as required by the revised Interlocal Agreement. Further, City officials could not provide our auditors with copies of annual reports required by the Interlocal Agreement.

Our findings and recommendations are presented in the remainder of this report. A written response is requested 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 \$165,000 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 \$47,700 in the City’s FY2002 General Fund Budget that should have been reported as MOE (Table II).

**Table II  
 FY 2002 MOE**

<b>Description</b>	<b>Budget</b>	<b>Actual</b>
MOE, as Reported to OCITT		
Roadway Repairs	\$ 165,000	\$ 240,343
Other Unreported Eligible MOE Items		
Electricity/Street Lights	46,200	41,787
Street Maintenance	1,500	1,211
	47,700	42,998
	<u>\$ 212,700</u>	<u>\$ 283,341</u>

Source: City of Florida City FY2002 Budget and General Ledger

**Recommendation**

Require the City to support and certify an MOE amount of at least \$212,700 within 30 days or withhold future disbursements.

**Discrete Surtax Accounts**

Transit Surtax proceeds and expenditures are accounted for in the City’s General Fund. The Interlocal Agreement, as amended on July 10, 2007, requires that the City maintain separate accounts for Surtax-related revenue and expenditures beginning in fiscal year 2008.

**Recommendation**

The City should maintain Surtax-related revenue and expenditures in discrete accounts.

**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 amounting to \$3.1 million to our auditors for review (Schedule II). Using those expenditures and the corrected MOE, we determined that the City was unable to expend \$187,848 of its required transit amount and \$223,248 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)	\$ 153,748	\$ 235,582	\$ 254,464	\$ 288,454	\$ 291,983	\$ 295,447	\$ 1,519,678
<b>Qualifying Costs (Schedule II):</b>							
Transit Expenditures	\$ -	\$ -	\$ -	\$ 92,987	\$ 126,616	\$ -	\$ 219,603
Transportation Expenditures	\$ 259,082	\$ 457,295	\$ 365,357	\$ 378,227	\$ 312,289	\$ 1,061,651	\$ 2,833,901
Less: MOE, as adjusted (Table II)	(212,700)	(212,700)	(212,700)	(212,700)	(212,700)	(212,700)	(1,276,200)
Net Transportation Expenditures	\$ 46,382	\$ 244,595	\$ 152,657	\$ 165,527	\$ 99,589	\$ 848,951	\$ 1,557,701
<b>AMS Analysis:</b>							
Transit Expenditures							
Required 20% Transit Minimum <sup>1</sup>	\$ 30,750	\$ 47,116	\$ 50,893	\$ 57,691	\$ 58,397	\$ 59,089	\$ 303,936
Qualifying Transit-Related Expenditures Applied	-	-	-	(92,987)	(126,616)	-	(219,603)
Unused (Excess) Transit Funds <sup>2</sup>	\$ 30,750	\$ 47,116	\$ 50,893	\$ (35,296)	\$ (68,219)	\$ 59,089	\$ 84,333
Transportation Expenditures							
Remaining 80% Balance <sup>1</sup>	\$ 122,998	\$ 188,466	\$ 203,571	\$ 230,763	\$ 233,586	\$ 236,358	\$ 1,215,742
Excess Transit Expenditures Applied <sup>2</sup>	-	-	-	(35,296)	(68,219)	-	(103,515)
Qualifying Transportation Expenditures Applied	(46,382)	(188,466)	(152,657)	(165,527)	(99,589)	(236,358)	(888,979)
Unused Transportation Funds	\$ 76,616	\$ -	\$ 50,914	\$ 29,940	\$ 65,778	\$ -	\$ 223,248
<b>Recommended Recapture:</b>							
Transit	\$ 30,750	\$ 47,116	\$ 50,893	\$ -	\$ -	\$ 59,089	\$ 187,848
Transportation	76,616	-	50,914	29,940	65,778	-	223,248
	\$ 107,366	\$ 47,116	\$ 101,807	\$ 29,940	\$ 65,778	\$ 59,089	\$ 411,096

<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 required transportation funds.

### Recommendation

OCITT should recapture or withhold \$411,096 from subsequent remittances.

### 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.

CJ:zg

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts  
George M. Burgess, County Manager  
Robert A. Cuevas, Jr., County Attorney  
Ysela Llorc, Assistant County Manager  
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management  
Charles Anderson, Commission Auditor  
Mark Ben-Asher, Director of Financial Planning and Administration, City of Florida City

**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 Florida City**  
**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	
Transit Projects							
Bus Shelters	\$ -	\$ -	\$ -	\$ 92,987	\$ 126,616	\$ -	\$ 219,603
Transportation Projects							
Asphalt Restoration	208,442	315,122	303,666	222,598	165,000	875,936	2,090,764
Drainage	-	-	-	-	-	74,539	74,539
Right of Way Materials	-	-	-	-	-	2,395	2,395
Sidewalk Repair	-	250	-	-	47,000	-	47,250
Transportation Equipment	-	81,208	-	81,444	12,551	-	175,203
Barricades & Traffic Cones	-	3,160	-	-	-	-	3,160
Street Light Utility	41,503	43,089	45,871	50,671	59,910	51,054	292,098
Street Light Supplies & Installation	-	-	-	5,038	6,660	34,416	46,114
Street Maintenance	1,449	2,687	3,097	4,053	6,569	8,539	26,394
Administrative Fees (limited to 5% of Proceeds)	7,688	11,779	12,723	14,423	14,599	14,772	75,984
Total Transportation Projects	<u>259,082</u>	<u>457,295</u>	<u>365,357</u>	<u>378,227</u>	<u>312,289</u>	<u>1,061,651</u>	<u>2,833,901</u>
Total Transit and Transportation Projects	<u>\$ 259,082</u>	<u>\$ 457,295</u>	<u>\$ 365,357</u>	<u>\$ 471,214</u>	<u>\$ 438,905</u>	<u>\$ 1,061,651</u>	<u>\$ 3,053,504</u>

Source: City of Florida City General Ledger