

Memorandum



Date: December 8, 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 Aventura

PURPOSE AND SCOPE

As requested, we reviewed the City of Aventura's use of Charter County Transit System Surtax (Transit Surtax) proceeds remitted by Miami-Dade County (County) for the six years ended September 30, 2008, to verify compliance with the Interlocal Agreement, as Amended. 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 Aventura (City) is bordered on the South by Sunny Isles Beach and North Miami Beach, on the East by the Intra-Coastal Waterway, on the West by Dixie Highway, and on the North by NE 214 Terrace. The City is governed by an elected Mayor and six Commissioners. The City Manager is appointed by the City Commission, 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 \$4.9 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. 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 July 15, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended July 10, 2007, the City reported \$1.4 million as its budgeted FY 2002 General Fund transportation support level (Table I), or Maintenance of Effort (MOE).

Table I
Surtax Proceeds and Reported MOE
For the Six Fiscal Years Ended September 30, 2008

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Maintenance of Effort (MOE)	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 8,400,000
Surtax Proceeds	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 946,296	\$ 4,900,221

Source: OCITT and City of Aventura

SUMMARY RESULTS

During the audit period, the City received \$4.9 million in Transit Surtax funds but did not report how it used those proceeds to OCITT as required. Instead, City Management reported transit and transportation expenditures to our auditors of \$14.6 million (Schedule II). Additionally, based upon our review of the FY2002 General Fund Budget, the MOE should be \$2.3 million rather than \$1.4 million. Using the revised MOE, we determined the City was unable to expend \$2.9 million of the \$4.9 million in Transit Surtax receipts, which may be subject to recapture. Alternatively, amounts may be eligible for rollover which will allow spending of the proceeds in subsequent years, using the recently revised guidelines approved by Members of the Citizens' Independent Transportation Trust, pending Board of County Commissioners acceptance.

Our findings and recommendations are further detailed in the remainder of this report. We appreciate the courtesies and assistance extended to our staff during the audit process. A copy of this report is being submitted to the City of Aventura under separate cover, requesting a written response 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

The City reported \$1.4 million as its MOE, yet our review disclosed budgeted General Fund transit and transportation expenditures of \$2.3 million in FY2002 (Table II). Since municipalities are required to apply the proceeds to supplement, rather than replace, their General Fund support for transit and transportation-related projects, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE.

**Table II
 FY 2002 General Fund MOE**

Description	Budget	Actual
Transit-Related:		
Circulator Operations	\$ 280,000	\$ 304,052
Bus Shelters and Benches	250,000	213,677
Transit-Related MOE	530,000	517,729
Transportation Related:		
Country Club Drive Improvements	1,400,000	240,635
NE 188th Street Lighting Improvements	150,000	148,506
Street Lighting Utilities	85,000	107,394
Street Maintenance	81,956	87,160
Engineering and Professional Services	30,465	61,330
Street Repairs & Maintenance	27,461	78,753
Transportation-Related MOE	1,774,882	723,778
Total MOE	\$ 2,304,882	\$ 1,241,507

Source: City of Aventura FY2002 Budget and General Ledger

Recommendation

Require the City to certify the corrected MOE within 30 days.

Use of Surtax Proceeds

Using the listing of claimed qualified projects provided by City Management (Schedule II) and the corrected MOE, we determined that the City was unable to expend \$2.9 million on eligible transit and transportation-related projects (Table III).

Table III
Surtax Funds Recommended for Recapture

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds (Schedule I)	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 946,296	\$ 4,900,221
Surtax Uses:							
Transit Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 375,888	\$ 506,686	\$ 546,598	\$ 620,886	\$ 692,804	\$ 685,897	\$ 3,428,759
Less: MOE, as Adjusted (Table II)	(530,000)	(530,000)	(530,000)	(530,000)	(530,000)	(530,000)	(3,180,000)
Net Transit Expenditures, as Adjusted	\$ (154,112)	\$ (23,314)	\$ 16,598	\$ 90,886	\$ 162,804	\$ 155,897	\$ 248,759
Transportation Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 2,459,203	\$ 1,078,307	\$ 1,121,975	\$ 1,864,893	\$ 2,272,996	\$ 2,399,214	\$ 11,196,588
Less: MOE, as Adjusted (Table II)	(1,774,882)	(1,774,882)	(1,774,882)	(1,774,882)	(1,774,882)	(1,774,882)	(10,649,292)
Net Transportation Expenditures, as Adjusted	\$ 684,321	\$ (696,575)	\$ (652,907)	\$ 90,011	\$ 498,114	\$ 624,332	\$ 547,296
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 99,082	\$ 151,819	\$ 163,758	\$ 186,722	\$ 189,404	\$ 189,259	\$ 980,044
Qualifying Transit Expenditures Applied	-	-	(16,598)	(90,886)	(162,804)	(155,897)	(426,185)
Unused Transit Funds	\$ 99,082	\$ 151,819	\$ 147,160	\$ 95,836	\$ 26,600	\$ 33,362	\$ 553,859
Transportation Expenditures							
Remaining 80% Balance ¹	\$ 396,326	\$ 607,277	\$ 655,030	\$ 746,890	\$ 757,617	\$ 757,037	\$ 3,920,177
Qualifying Transportation Expenditures Applied	(396,326)	-	-	(90,011)	(498,114)	(624,332)	(1,608,783)
Unused Transportation Funds	\$ -	\$ 607,277	\$ 655,030	\$ 656,879	\$ 259,503	\$ 132,705	\$ 2,311,394
Recommended Recapture or Rollover:							
Transit	\$ 99,082	\$ 151,819	\$ 147,160	\$ 95,836	\$ 26,600	\$ 33,362	\$ 553,859
Transportation	-	607,277	655,030	656,879	259,503	132,705	2,311,394
	\$ 99,082	\$ 759,096	\$ 802,190	\$ 752,715	\$ 286,103	\$ 166,067	\$ 2,865,253

¹ 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.

Recommendation

Recapture the \$2.9 million or allow for rollover in accordance with revised guidelines recently approved by Members of the Citizens’ Independent Transportation Trust.

Interest Earned on Surtax Proceeds

The City earned \$17,200 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

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

Certification and Reporting Requirements

The City did not submit annual reports of qualifying expenditures to the OCITT, nor the required certification reports for FY2004 and 2007. In addition, the City did not maintain separate accounts for Surtax proceeds and expenditures as required by the Amended Interlocal Agreement for FY2008.

Recommendation

- The City should submit all required reports to the OCITT as specified in the Interlocal Agreement, and maintain separate accounts for Surtax transactions.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

Signage

The Amended Interlocal Agreement requires the posting of a conspicuous sign at the job site, structure or vehicle if funded in whole, or in part, by Transit Surtax proceeds. We found no evidence of posting on existing construction sites or City Circulator buses.

Recommendation

The City should be instructed to comply with signage requirements.

CJ:zg

Attachments

- c: Honorable Harvey A. Ruvin, Clerk of the Courts
George M. Burgess, County Manager
Robert A. Cuevas, Jr., County Attorney
Ysela Llord, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Charles Anderson, Commission Auditor
Eric M. Soroka, City Manager, City of Aventura

**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 ¹	95,908	146,959	157,799	184,160	144,185	223,419	952,430
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>\$ 37,317,372</u>	<u>\$ 200,738,370</u>

Source: Office of Citizens' Independent Transportation Trust

¹ Payments for FY 2008 include a \$42,361 disbursement that was withheld in FY 2007.

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

Description	Fiscal Year Ended September 30,						Total
	2003	2004	2005	2006	2007	2008	
Transit							
Circulator Rental Payments	\$ 366,241	\$ 471,808	\$ 475,127	\$ 599,183	\$ 688,974	\$ 682,049	\$ 3,283,382
Bus Shelters and Benches	5,592	32,517	71,471	-	-	-	109,580
Other Expenses	4,055	2,361	-	21,703	3,830	3,848	35,797
Total Transit Projects	<u>375,888</u>	<u>506,686</u>	<u>546,598</u>	<u>620,886</u>	<u>692,804</u>	<u>685,897</u>	<u>3,428,759</u>
Transportation							
Street Lighting Improvements:							
General	-	122,979	410,418	322,056	31,740	153,604	1,040,797
Lehman Causeway	-	-	747,349	29,274	-	-	776,623
NE 29th Place	-	-	-	-	17,150	-	17,150
Street Lighting Utilities	159,457	143,335	158,968	192,993	214,382	172,963	1,042,098
Transportation System Improvements:							
General	-	16,678	98,132	386,974	579,880	133,428	1,215,092
NE 190th Street	129,304	-	-	-	-	-	129,304
NE 185th Street and NE 28th Avenue	-	-	19,675	-	-	-	19,675
Lehman Causeway	434	47,430	-	-	-	-	47,864
Miami Gardens Drive Extension	-	-	-	8,705	2,175,847	406,929	2,591,481
Country Club Drive	1,962,171	429,609	126,096	-	-	-	2,517,876
Country Club Drive Landscaping	-	66,703	-	-	-	-	66,703
Traffic Video Monitoring	-	43,323	-	220,638	81,913	1,645,214	1,991,088
Road Resurfacing	-	-	47,251	396,780	469,229	236,828	1,150,088
Street Repairs and Maintenance	111,303	122,501	126,143	191,211	70,989	5,052	627,199
Engineering and Professional Services	95,764	47,794	21,083	83,835	105,880	-	354,356
Administrative Expenses	24,770	37,955	40,939	46,681	47,351	47,315	245,011
Less Other Sources of Funding for Improvements:							
Florida Department of Transportation Grants	-	-	(674,079)	-	-	-	(674,079)
Miami-Dade County Grants	(24,000)	-	-	(14,254)	(1,521,365)	(305,623)	(1,865,242)
Fees Paid by Real Estate Developers	-	-	-	-	-	(96,496)	(96,496)
Total Transportation Projects, net	<u>2,459,203</u>	<u>1,078,307</u>	<u>1,121,975</u>	<u>1,864,893</u>	<u>2,272,996</u>	<u>2,399,214</u>	<u>11,196,588</u>
	<u>\$ 2,835,091</u>	<u>\$ 1,584,993</u>	<u>\$ 1,668,573</u>	<u>\$ 2,485,779</u>	<u>\$ 2,965,800</u>	<u>\$ 3,085,111</u>	<u>\$ 14,625,347</u>

Source: City of Aventura General Ledgers