

Memorandum



Date: March 10, 2010

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 –
Miami Shores Village

PURPOSE AND SCOPE

As requested, we reviewed the Miami Shores Village 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

Miami Shores Village (Village) is bordered on the South by 91 Street, on the East by Biscayne Bay, on the West by NW 2 Avenue, and on the North by 115 Street in Miami-Dade County. The Village operates under a Council-Manager form of government with the Mayor, Vice Mayor and three Council Members. The Village Manager is appointed by the Council 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 \$1.8 million in Transit Surtax proceeds for the Village 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 24, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended June 5, 2007, the Village reported zero dollars for its budgeted FY 2002 General Fund transportation support level, 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	
Surtax Proceeds	\$ 197,655	\$ 302,860	\$ 313,826	\$ 346,278	\$ 348,437	\$ 335,963	\$ 1,845,019
Maintenance of Effort (MOE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: OCITT and Miami Shores

SUMMARY RESULTS

During the audit period, the Village received \$1.8 million in Transit Surtax funds but did not consistently report how it used those proceeds to the OCITT, as required. Nonetheless, Management claimed \$2.2 million in transit and transportation expenditures, and \$240,963 as its MOE while fieldwork was underway. Using the revised MOE and adjusting for ineligible expenditures, we determined the Village was unable to expend \$1.14 million of the \$1.8 million in Transit Surtax funds which are subject to recapture. Alternatively, amounts may be eligible for rollover that will allow spending of proceeds in subsequent years, using the recently revised guidelines approved by Members of the Citizens' Independent Transportation Trust, pending Board of County Commissioners acceptance.

These and other 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. The Village's written response is incorporated herein and the full text is presented as Attachment I. Their concerns regarding the Maintenance of Effort and unspent Transit Surtax Funds determinations were noted, however our findings are consistent with Ordinance No. 02-116 and thus, the audit has been closed. Follow up reviews will be conducted to assure the Village has been formally notified regarding recertification of the MOE, as well as resolution of the unspent funds and adherence to new spending rules. Please contact Jacqueline Williams, Audit Manager, at 305-349-6100 if you have any questions.

FINDINGS AND RECOMMENDATIONS

General Fund Support

While the audit was underway, the Village claimed \$240,963 as its FY 2002 MOE with which we concur (Table II). Since municipalities are required to apply Transit Surtax 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, As Claimed

Description	Amount
Public Works Department, Streets Division	
Personnel Services	\$ 56,147
Street Lighting Utilities	153,324
Fleet and Risk Management Allocations	26,065
Road Materials	5,000
Uniforms	427
Total	<u>\$ 240,963</u>

Source: Miami Shores MOE Worksheet and FY 2002 Budget

Recommendation

Require the Village to certify the corrected MOE of \$240,963 within 30 days.

Auditee Response

My understanding is that the MOE is the amount of transportation expenses budgeted in the general fund in fiscal year ended 2002 which were offset by budgeted unrestricted general fund revenues. This is calculated in this fashion so that the Office of Citizens' Independent Transportation Trust ("OCITT") monies do not supplant funds contributed by the general fund for transportation expenses, but rather are used to augment the general fund expenditures. The MOE was revised by the auditors during the audit based on information provided by the Village. It is quite clear in the Miami Shores Village Budget that the budgeted transportation expenditures were offset by funding from Local Option Gas Tax Revenues, not general fund revenues. In my opinion the MOE should remain at zero as previously reported as these budgeted expenditures were offset by budgeted revenues restricted for transportation use only.

AMS Rejoinder

County Ordinance No. 02-116 and the Interlocal Agreement, as Amended, require municipalities to continue to provide the same level of General Fund support for transportation expenditures that was budgeted in FY 2002. Consequently, the Village was asked to identify such General Fund expenditures, irrespective of the revenue funding source.

Use of Surtax Proceeds

The Village provided our auditors with a listing of transit (\$142,628) and transportation-related (\$2.1 million) expenditures totaling \$2.2 million (Schedule II). After adjusting for ineligible expenditures and using the claimed MOE, we determined the Village was unable to expend \$1.14 million of the Transit Surtax proceeds (Table III).

**Table III
Analysis of the Usage of Transit Surtax Funds**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds (Schedule I)	\$ 197,655	\$ 302,860	\$ 313,826	\$ 346,278	\$ 348,437	\$ 335,963	\$ 1,845,019
Surtax Uses:							
Transit Expenditures							
As Claimed (Schedule II)	\$ -	\$ -	\$ -	\$ 21,385	\$ 59,803	\$ 61,440	\$ 142,628
Transportation Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 235,986	\$ 276,873	\$ 489,014	\$ 314,373	\$ 331,948	\$ 356,392	\$ 2,004,586
Less: MOE Claimed	(240,963)	(240,963)	(240,963)	(240,963)	(240,963)	(240,963)	(1,445,778)
Net Expenditures, as Adjusted	\$ (4,977)	\$ 35,910	\$ 248,051	\$ 73,410	\$ 90,985	\$ 115,429	\$ 558,808
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 39,531	\$ 60,572	\$ 62,765	\$ 69,256	\$ 69,687	\$ 67,193	\$ 369,004
Qualifying Transit-Related Expenditures Applied	-	-	-	(21,385)	(59,803)	(61,440)	(142,628)
Unused Transit Funds	\$ 39,531	\$ 60,572	\$ 62,765	\$ 47,871	\$ 9,884	\$ 5,753	\$ 226,376
Transportation-Related Expenditures							
Remaining 80% Balance ¹	\$ 158,124	\$ 242,288	\$ 251,061	\$ 277,022	\$ 278,750	\$ 268,770	\$ 1,476,015
Qualifying Transportation Expenditures Applied	-	(35,910)	(248,051)	(73,410)	(90,985)	(115,429)	(563,785)
Unused Transportation Funds	\$ 158,124	\$ 206,378	\$ 3,010	\$ 203,612	\$ 187,765	\$ 153,341	\$ 912,230
Recommended Recapture/Rollover Amounts:							
Transit	\$ 39,531	\$ 60,572	\$ 62,765	\$ 47,871	\$ 9,884	\$ 5,753	\$ 226,376
Transportation	158,124	206,378	3,010	203,612	187,765	153,341	912,230
	\$ 197,655	\$ 266,950	\$ 65,775	\$ 251,483	\$ 197,649	\$ 159,094	\$ 1,138,606

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 \$1.14 million or allow for rollover in accordance with revised guidelines recently approved by Members of the Citizens' Independent Transportation Trust, pending acceptance by the Board of County Commissioners.

Auditee Response

Capital expenditures for major drainage projects were deemed ineligible since the Village has a stormwater utility fund. There has been no calculation of MOE regarding the stormwater utility fund. No consideration has been taken into account for increases in fees to residents or reserves for major maintenance projects not covered by OCITT funding. My understanding is that as long as the Village has any type of reserve in the stormwater utility fund, OCITT funds cannot be used for drainage capital improvements. I do not believe that the OCITT funding is being used to supplant the stormwater utility funds, but rather to enable the Village to undertake major improvements to the drainage system while still maintaining the existing system. This determination will prohibit future projects from being done as the stormwater utility fund reserve must be used to maintain the existing system. Major capital improvements will be accomplished only by increasing the current stormwater fees charged to residents. The whole purpose of the half-cent sales tax was to be able to complete projects that would otherwise not be done. In my opinion this determination is in direct contrast to the reason the voters passed the half-cent sales tax.

Should the OCITT concur with the audit recommendations, we would request that the \$1.14 million of recaptured funds be rolled over for future use. We have just completed a \$1.5 million road project in conjunction with the County which was substantially funded with CITT funds. These projects would not have been possible without the funding provided by the OCITT.

AMS Rejoinder

According to Ordinance No. 02-116, Cities must continue the same level of General Fund support for transportation projects that was appropriated in their FY 2002 Budget. The Stormwater Utility Fund is not part of the General Fund Budget, and thus was excluded from the MOE determination. In addition, drainage project expenditures may be considered an eligible use of Transit Surtax proceeds only to the extent they exceed funds available in the Stormwater Utility Fund. There were no excess expenditures in FY 2008.

Certification and Reporting Requirements

The Village did not submit annual reports of its use of Transit Surtax proceeds after FY 2003, Certification Letters for all years, and Five-Year Transportation Plans for FYs 2004, 2006, 2007 and 2008. Further, as required by the Amended Interlocal Agreement, the Village did not submit Quarterly Progress Reports and Certified Reports of Proceeds Expended.

Recommendation

- Prospectively, the Village should submit all required reports to OCITT.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

Auditee Response

I understand that there have been many difficulties in the area of required reporting. In the past the reports that were requested were provided via email and were very casual in nature. If the municipalities are required to respond in a more formal manner, this should be clearly outlined with a listing of all of the required reports along with the deadlines. It should be made clear that even if your response is no change, the report should be filed and kept in hard copy. We will make every effort to comply with all of the reporting requirements prospectively, but request that OCITT provide the reporting format and manner of response.

Signage

The Amended Interlocal Agreement requires posting of conspicuous signage for all projects funded in whole, or in part, with Transit Surtax proceeds. We found no evidence of such posting on the Bus Shuttle Service.

Recommendation

The Village should be instructed to comply with the signage requirement.

Auditee Response

We have increased our shuttle route to include regular trips from the Village to Aventura Mall. New signage has been initiated as part of the route changes.

CJ:zg

Attachment

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
Thomas J. Benton, Manager, Miami Shores Village

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

Municipality	Fiscal Year (FY) 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
Miami Shores Village	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 the 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 - Miami Shores Village
Summary of Claimed Transit Surtax Expenditures and Adjustments
For the Six Fiscal Years Ended September 30, 2008

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Transit Expenditures							
Bus Shuttle Services and Brochures	\$ -	\$ -	\$ -	\$ 1,800	\$ 58,719	\$ 61,440	\$ 121,959
Sidewalk Improvements with Americans with Disabilities Act Accessibility to Bus Stops	-	-	-	16,881	1,084	-	17,965
Bus Benches	-	-	-	2,704	-	-	2,704
Total Claimed Expenditures	\$ -	\$ -	\$ -	\$ 21,385	\$ 59,803	\$ 61,440	\$ 142,628
Transportation Expenditures							
Street Lighting and Irrigation Pump Utilities	\$ 151,216	\$ 157,894	\$ 159,163	\$ 165,342	\$ 173,404	\$ 177,458	\$ 984,477
Street Maintenance, Improvements, and Other Costs ¹	48,042	77,838	228,179	63,439	76,381	109,146	603,025
Street Personnel Payroll and Related Charges	47,313	52,194	112,813	97,166	94,301	103,756	507,543
Total before AMS Adjustments	246,571	287,926	500,155	325,947	344,086	390,360	2,095,045
AMS Adjustments for Ineligible Charges:							
Pump Utilities Charges	(10,585)	(11,053)	(11,141)	(11,574)	(12,138)	(12,422)	(68,913)
Bayshore Drive Flood Relief Project ¹	-	-	-	-	-	(21,546)	(21,546)
Total AMS Adjustments	(10,585)	(11,053)	(11,141)	(11,574)	(12,138)	(33,968)	(90,459)
Total Claimed Expenditures, As Adjusted	\$ 235,986	\$ 276,873	\$ 489,014	\$ 314,373	\$ 331,948	\$ 356,392	\$ 2,004,586

Source: Miami Shores General Ledger and Vendor Invoices

¹ Miami Shores claimed \$21,546 for the Bayshore Drive Flood Relief Project in Fiscal Year 2008, which represented a small percentage of the project's costs that were not funded by grants. However, our review disclosed that Stormwater Utility Funds are also available and should have been used in lieu of Transit Surtax monies.



Miami Shores Village

Finance Department
10050 N.E. 2nd Avenue
Miami Shores, Florida 33138
Tel: (305) 795.2207
Fax: (305) 758.7849
E-mail: FinanceDirector@MiamiShoresVillage.com

Holly Hugdahl
Acting Finance Director

February 25, 2010

Cathy Jackson, Director
Audit and Management Services
One S.E. Third Ave, 11th Floor
Miami, Florida 33131

Dear Ms. Jackson,

I am writing this in response to your Draft Memorandum of the Audit Report for Miami Shores Village. I would like to address the recommendations made by the Audit Staff; Maintenance of Efforts ("MOE"), reporting requirements, rollover of recaptured funds and signage.

My understanding is that the MOE is the amount of transportation expenses budgeted in the general fund in fiscal year ended 2002 which were offset by budgeted unrestricted general fund revenues. This is calculated in this fashion so that the Office of Citizens' Independent Transportation Trust ("OCITT") monies do not supplant funds contributed by the general fund for transportation expenses, but rather are used to augment the general fund expenditures. The MOE was revised by the auditors during the audit based on information provided by the Village. It is quite clear in the Miami Shores Village Budget that the budgeted transportation expenditures were offset by funding from Local Option Gas Tax Revenues, not general fund revenues. In my opinion the MOE should remain at zero as previously reported as these budgeted expenditures were offset by budgeted revenues restricted for transportation use only.

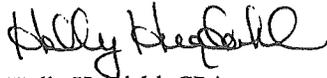
Capital expenditures for major drainage projects were deemed ineligible since the Village has a stormwater utility fund. There has been no calculation of MOE regarding the stormwater utility fund. No consideration has been taken into account for increases in fees to residents or reserves for major maintenance projects not covered by OCITT funding. My understanding is that as long as the Village has any type of reserve in the stormwater utility fund, OCITT funds cannot be used for drainage capital improvements. I do not believe that the OCITT funding is being used to supplant the stormwater utility funds, but rather to enable the Village to undertake major improvements to the drainage system while still maintaining the existing system. This determination will prohibit future projects from being done as the stormwater utility fund reserve must be used to maintain the existing system. Major capital improvements will be accomplished only by increasing the current stormwater fees charged to residents. The whole purpose of the half-cent sales tax was to be able to complete projects that would otherwise not be done. In my opinion this determination is in direct contrast to the reason the voters passed the half-cent sales tax.

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Should the OCITT concur with the audit recommendations, we would request that the \$1.14 million of recaptured funds be rolled over for future use. We have just completed a \$1.5 million road project in conjunction with the County which was substantially funded with CITT funds. In addition, we have increased our shuttle route to include regular trips from the Village to Aventura Mall. New signage has been initiated as part of the route changes. These projects would not have been possible without the funding provided by the OCITT.

I would like to thank you for the courtesies and assistance provided by your staff during the audit process. This has led to a better understanding of the OCITT requirements and will only improve the working relationship between the OCITT and the Village in the future.

Respectfully,



Holly Hugdahl, CPA
Acting Finance Director

Cc: Nestor Toledo, Municipal Liaison