

Memorandum



Date: March 11, 2010

To: Charles D. Scurr, Executive Director
Office of the Citizens' Independent Transportation Trust

Cathy Jackson

From: Cathy Jackson, Director
Audit and Management Services Department

Subject: Audit Report – Charter County Transit System Surtax Review –
Village of Key Biscayne

PURPOSE AND SCOPE

As requested, we reviewed the Village of Key Biscayne 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 Village of Key Biscayne (the Village) is situated between Crandon Park and Bill Baggs State Recreation Area on the southern most barrier island of the United States, Miami-Dade County, Florida. The Village operates under a Council-Manager form of government and the Council consists of a Mayor and six Council members. The Village Manager is appointed by the Council and is responsible for overseeing the daily operations of the government. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$1.96 million in Transit Surtax proceeds for the Village to expend on qualifying transit and 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 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement) approved by the Village Council on June 24, 2003, as Amended July 10, 2007, the Village reported its budgeted FY 2002 General Fund transportation support level, or Maintenance of Effort (MOE) as \$297,329.

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)	\$ 297,329	\$ 297,329	\$ 297,329	\$ 297,329	\$ 297,329	\$ 297,329	\$ 1,783,974
Surtax Proceeds	\$ 202,733	\$ 310,644	\$ 333,638	\$ 369,378	\$ 379,639	\$ 368,354	\$ 1,964,386

Source: OCITT and the Village

SUMMARY RESULTS

During the audit period, the Village received \$1.96 million in Transit Surtax funds but did not report how it used those proceeds to OCITT as required. Instead, Village Management claimed \$12.8 million in expenditures while fieldwork was underway (Schedule II). Further, the Village reported an MOE of \$297,329 however, our auditors determined the amount should be reduced to \$85,725 using the FY 2002 Budget (Table II). Using the corrected MOE and after audit adjustments, we determined the Village was unable to expend \$738,183 (38%) of its Transit Surtax proceeds, which may be subject to recapture. Alternatively, amounts may be eligible for rollover which will allow spending of the proceeds in subsequent years, using recently revised guidelines approved by Members of the Citizens’ Independent Transportation Trust, pending Board of County Commissioners acceptance (Table III).

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. A copy of this report is being submitted to the Village under separate cover, requesting a written response by April 30, 2010 in accordance with Administrative Order 3-7. Please contact Jacqueline Williams, Audit Manager, at 305-349-6100 if you have any questions.

FINDINGS AND RECOMMENDATIONS

General Fund Support

The Village reported \$297,329 for a traffic calming project as its FY 2002 MOE. Our review disclosed the amount was recorded in the Capital Improvements Fund, instead of the General Fund. Using the FY 2002 General Fund Budget, we determined the MOE should be \$85,725 which included allocations primarily for engineering, maintenance, and street lighting expenditures (Table II). Since municipalities are required to apply Transit Surtax proceeds to supplement, rather than replace, the 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	Reported	Adjustments	Corrected
Capital Improvements Fund:			
Traffic Calming Project	\$ 297,329	\$ (297,329)	\$ -
General Fund:			
<i>Public Works Department</i>			
Engineering	-	45,203	45,203
Maintenance and Repairs	-	30,000	30,000
Supervisor Salary and Benefits ¹	-	4,222	4,222
	-	79,425	79,425
<i>Non-Departmental</i>			
Street Lighting ¹	-	6,300	6,300
Total	\$ 297,329	\$ (211,604)	\$ 85,725

Source: FY 2002 Budget

¹ Amounts determined using estimates/information provided by the Village.

Recommendation

Require the Village to certify the corrected MOE of \$85,725 within 30 days.

Use of Surtax Proceeds

The Village provided our auditors with transportation-related costs for the Crandon Boulevard Master Plan Improvement Project for Phase II and Phase III, totaling \$12.8 million (Schedule II). To finance Phase III costs, the Village received a \$1 million Florida Department of Transportation (FDOT) grant and issued Road Improvement Revenue Bonds for \$4 million on December 14, 2006 that are secured by County Toll Revenues. Since the Village elected to claim actual project expenditures, only those costs in excess of bond and FDOT grant monies are eligible transportation-related costs. Using the corrected MOE and after adjustments for expenditures funded from other restricted sources, the Village was unable to expend \$738,183 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)	\$ 202,733	\$ 310,644	\$ 333,638	\$ 369,378	\$ 379,639	\$ 368,354	\$ 1,964,386
Surtax Uses:							
Transit Expenditures							
As Adjusted (Schedule II)	\$ -	\$ -	\$ -	\$ 329,842	\$ 10,723	\$ 41,517	\$ 382,082
Transportation Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 11,582	\$ 10,695	\$ 427,383	\$ 4,506,809	\$ 328,717	\$ 1,889,909	\$ 7,175,095
Less: Corrected MOE (Table II)	(85,725)	(85,725)	(85,725)	(85,725)	(85,725)	(85,725)	(514,350)
Net Expenditures, As Adjusted	\$ (74,143)	\$ (75,030)	\$ 341,658	\$ 4,421,084	\$ 242,992	\$ 1,804,184	\$ 6,660,745
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 40,547	\$ 62,129	\$ 66,728	\$ 73,876	\$ 75,928	\$ 73,671	\$ 392,879
Qualifying Transit-Related Expenditures Applied	-	-	-	(329,842)	(10,723)	(41,517)	(382,082)
Unused/(Excess) Transit Funds ²	\$ 40,547	\$ 62,129	\$ 66,728	\$ (255,966)	\$ 65,205	\$ 32,154	\$ 10,797
Transportation-Related Expenditures							
Remaining 80% Balance ¹	\$ 162,186	\$ 248,515	\$ 266,910	\$ 295,502	\$ 303,711	\$ 294,683	\$ 1,571,507
Excess Transit Expenditures Applied ²	-	-	-	(255,966)	-	-	(255,966)
Qualifying Transportation Expenditures Applied	-	-	(266,910)	(39,536)	(242,992)	(294,683)	(844,121)
Unused Transportation Funds	\$ 162,186	\$ 248,515	\$ -	\$ -	\$ 60,719	\$ -	\$ 471,420
Recommended Recapture or Rollover:							
Transit	\$ 40,547	\$ 62,129	\$ 66,728	\$ -	\$ 65,205	\$ 32,154	\$ 266,763
Transportation	162,186	248,515	-	-	60,719	-	471,420
	\$ 202,733	\$ 310,644	\$ 66,728	\$ -	\$ 125,924	\$ 32,154	\$ 738,183

¹ At least 20% of Surtax Proceeds must be used on transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible transportation projects as defined by Florida Statutes.

² Excess transit expenditures and appropriations may be used to offset available transportation funds.

Recommendation

Recapture \$738,183 or allow for rollover in subsequent periods in accordance with revised guidelines approved by Members of the Citizens' Independent Transportation Trust, pending acceptance by the Board of County Commissioners.

Certification and Reporting Requirements

The Village did not submit annual reports of qualifying expenditures and certain Certification Letters and Five-Year Transportation Plans. Annual Certifications reviewed for FYs 2005, 2006 and 2008 omitted one of the required affirmations. 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 in the manner prescribed.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

CJ:zg

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts
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
Genaro Iglesias, Manager, Village of Key Biscayne

**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
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 Citizens' Independent Transportation Trust

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

Village of Key Biscayne
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							
AMS Adjustments:							
Reclassification of Bus Shelter Costs for Crandon Blvd. - Phase II	\$ -	\$ -	\$ 21,602	\$ 329,842	\$ 10,723	\$ 19,016	\$ 381,183
Less: Contributions Received for Crandon Blvd. - Phase II	-	-	(21,602)	-	-	-	(21,602)
Reclassification of Bus Shelter Costs for Crandon Blvd. - Phase III	-	-	-	-	-	22,501	22,501
Total Expenditures, As Adjusted	\$ -	\$ -	\$ -	\$ 329,842	\$ 10,723	\$ 41,517	\$ 382,082
Transportation Expenditures							
Crandon Boulevard - Phase II, as Claimed	\$ -	\$ -	\$ 675,733	\$ 4,701,844	\$ 333,259	\$ 303,882	\$ 6,014,718
AMS Adjustments:							
Reclassification of Bus Shelter Costs to Transit Expenditures	-	-	(21,602)	(329,842)	(10,723)	(19,016)	(381,183)
Contributions Received	-	-	(252,061)	(1,300)	-	-	(253,361)
Unsupported Consultant Fees	-	-	-	(135,721)	-	-	(135,721)
Burying Overhead Utilities	-	-	-	-	(16,108)	-	(16,108)
Water Meter Upgrade	-	-	(12,750)	-	-	-	(12,750)
Miscellaneous	-	-	(607)	-	(793)	-	(1,400)
Total Adjustments	-	-	(287,020)	(466,863)	(27,624)	(19,016)	(800,523)
Crandon Boulevard - Phase II, As Adjusted	-	-	388,713	4,234,981	305,635	284,866	5,214,195
Crandon Boulevard - Phase III, as Claimed ¹	-	-	-	251,881	4,948,755	1,620,703	6,821,339
AMS Adjustments:							
Series 2006 Bond Proceeds ¹	-	-	-	-	(3,948,880)	-	(3,948,880)
Florida Department of Transportation (FDOT) Grant ¹	-	-	-	-	(999,875)	-	(999,875)
Reclassification of Bus Shelter Costs to Transit Expenditures	-	-	-	-	-	(22,501)	(22,501)
Burying Overhead Utilities, Drench Treatment, and Miscellaneous Charges	-	-	-	-	-	(15,986)	(15,986)
Postcards	-	-	-	(3,680)	-	-	(3,680)
Total Adjustments	-	-	-	(3,680)	(4,948,755)	(38,487)	(4,990,922)
Crandon Blvd - Phase III, As Adjusted	-	-	-	248,201	-	1,582,216	1,830,417
Additional Unclaimed Eligible Transportation-Related Expenditures:							
Street Lighting Utilities	5,986	4,270	10,516	17,553	16,515	16,729	71,569
Public Works Supervisor/Director Salary and Benefits Allocation	5,596	5,700	5,564	5,804	5,929	6,098	34,691
Engineering	-	725	20,404	270	638	-	22,037
Maintenance and Repairs	-	-	2,186	-	-	-	2,186
Total Additional Expenditures	11,582	10,695	38,670	23,627	23,082	22,827	130,483
Total Claimed Transportation Expenditures, As Adjusted	\$ 11,582	\$ 10,695	\$ 427,383	\$ 4,506,809	\$ 328,717	\$ 1,889,909	\$ 7,175,095

Source: Village of Key Biscayne (the Village) Comprehensive Annual Financial Reports, General Ledgers, Vendor Invoices, October 2, 2007 Crandon Boulevard Master Plan Phase III Interlocal Agreement, and Bond Information Form.

¹ The Village issued Series 2006 Road Improvement Revenue Bonds for \$4 million on December 14, 2006 to finance the costs of Phase III of the Crandon Boulevard Master Plan Improvement Project. To pay debt service costs, annual Toll Revenue receipts under the Crandon Boulevard Master Plan Phase III Interlocal Agreement with Miami-Dade County were pledged. As the Village elected to claim actual project expenditures, only those costs in excess of bond and FDOT Grant proceeds are eligible to be applied against Transit Surtax monies.