



AUDIT AND MANAGEMENT SERVICES DEPARTMENT
OVERTOWN TRANSIT VILLAGE
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TELEPHONE: 786-469-5900
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May 26, 2020

Mr. Peter Iglesias, City Manager
City of Coral Gables
405 Biltmore Way
Coral Gables, FL 33134

Re: Charter County Transportation System Surtax Review – City of Coral Gables

Dear Mr. Iglesias:

Enclosed is the above-captioned Final Audit Report that was previously reviewed with your staff.

We appreciate the courtesies and assistance provided to our staff during the audit process. Please contact G. Nancy McKee, Assistant Director, at (786) 469-5900, should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Cathy Jackson".

Cathy Jackson
Director

CJ:bm

Attachment

c: Javier A. Betancourt, Executive Director, OCITT
Diana M. Gomez, Finance Director, City of Coral Gables

Memorandum



Date: May 26, 2020

To: Javier A. Betancourt, Executive Director
Office of the Citizens' Independent Transportation Trust (OCITT)

From: Cathy Jackson, Director
Audit and Management Services Department (AMS)

Subject: Final Audit Report – Charter County Transit System Surtax Review –
City of Coral Gables

PURPOSE AND SCOPE

We performed a review of the City of Coral Gables' (City) use of Charter County Transportation System Surtax (Surtax) Proceeds remitted by Miami-Dade County (County) for the three years ended September 30, 2019. The primary objective was to ensure Surtax Proceeds were used in compliance with the *Interlocal Agreement for Distribution, Use and Reporting of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County (Interlocal Agreement)*, executed July 10, 2007.

BACKGROUND

County Ordinance No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Surtax on eligible sales transactions for use on Transportation-related projects. However, at least 20% of the Surtax Proceeds received by the County must be distributed to municipalities incorporated as of November 5, 2002, on a pro-rata basis using population statistics (Schedule IV). The Surtax Program is administered by the Citizens' Independent Transportation Trust (CITT), a group comprised of 15 members appointed by the Board of County Commissioners, County Mayor, and Miami-Dade League of Cities.

Pursuant to the *Interlocal Agreement*, the City must annually continue the same level of General Fund Support for Transportation projects appropriated in its Fiscal Year 2002 Budget (Maintenance of Effort). Surtax Proceeds may be used to develop, construct, equip, maintain, operate, or expand County-wide bus systems, fixed guideway rapid transit systems, roads, and bridges, as well as secure such bonds or pay debt service. Further, the City must apply at least 20% of the Proceeds to Transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure. *CITT Resolution No. 09-055*, adopted July 30, 2009, allows for the rollover of unspent Surtax funds for up to five years, provided the City's Five-Year Transportation Plan demonstrates how the funds will be used. Additionally, *CITT Resolution No. 15-027*, adopted May 20, 2015, allows for carryover credits in the event amounts expended are in excess of annual Surtax allocations. See Schedules I and II for summary financial information.

SUMMARY RESULTS

For the three years ended September 30, 2019, the City received \$6.2 million in Surtax Proceeds and claimed Transit and Transportation expenses totaling \$8.5 million (Table I). After adjusting expenditures for unclaimed vehicle purchases, ineligible costs, and the Maintenance of Effort (MOE), the City spent all its Surtax Proceeds on the fare-free Trolley system. As of September 30, 2019, the City had no unspent funds (Schedule III).

**Table I
 Surtax Statistics**

Description	Fiscal Year Ended September 30,			All Years
	2017	2018	2019	
Maintenance of Effort	\$ 948,987	\$ 948,987	\$ 948,987	\$ 2,846,961
Surtax Proceeds (Schedule IV)	\$ 1,981,236	\$ 2,091,593	\$ 2,132,315	\$ 6,205,144
Claimed Expenditures:				
Transit (Table III)	\$ 1,738,505	\$ 1,823,393	\$ 2,117,820	\$ 5,679,718
Transportation (Table IV)	948,987	948,987	948,987	2,846,961
	\$ 2,687,492	\$ 2,772,380	\$ 3,066,807	\$ 8,526,679
Credit Carryforward Amounts as of September 30 (Schedule III):				
Transit	\$ (3,258,613)	\$ (3,556,921)	\$ (3,716,337)	
Transportation	-	-	-	
	\$ (3,258,613)	\$ (3,556,921)	\$ (3,716,337)	
Key Account Balances as of September 30 (Schedules I and II):				
<i>Transportation Capital Projects Fund:</i>				
Pooled Cash and Cash Equivalents	\$ 567,999	\$ 379,635	\$ 592,582	
Pooled Investments	\$ 554,381	\$ 1,030,814	\$ 877,886	
Fund Balance	\$ 1,390,766	\$ 1,942,991	\$ 2,064,103	

The City agreed with all of our recommendations, and thus the audit has been closed. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact G. Nancy McKee, Assistant Director, at (786) 469-5900, if you have any questions.

FINDINGS AND RECOMMENDATIONS

Transit Expenditures

Since November 2003, the City has operated a Trolley Service that connects riders with the Douglas Road Metrorail Station. The service is provided over two routes, and a first/last mile *FreeBee Shuttle* service was also added in January 2019. Trolleys run every day (excluding weekends) from 6:30 AM to 8:00 PM, with annual ridership in excess of one million commuters (Table II). The City owns its Trolley fleet and employs two supervisors to oversee operations. Trolley drivers are provided by a contractor.

Table II
Summary of Transit Ridership

Fiscal Year Ended September 30,	Route			Total
	Ponce	Grand	FreeBee	
2017	1,085,055	35,895	-	1,120,950
2018	1,030,538	37,200	-	1,067,738
2019	944,169	33,581	71,027	1,048,777

Source: City of Coral Gables Ridership Statistics

Claimed Transit-related expenditures of \$5.7 million were adjusted for the purchases of three trolleys and a van, recorded in the Motor Pool Fund, and reduced by annual vehicle replacement allowances that were included in Trolley Storage Facility Rental costs. Only actual vehicle purchases may be claimed for Surtax use. Additionally, a membership fee paid to the County Transportation Planning Organization was specifically identified by the Organization as not eligible for Surtax use (Table III).

Table III
Claimed Transit Expenditures, as Adjusted

Description	Fiscal Year Ended September 30,			All Years
	2017	2018	2019	
Transportation Capital Projects Fund:				
Trolley and <i>FreeBee</i> Operations and Repairs	\$ 889,579	\$ 1,023,991	\$ 1,412,747	\$ 3,326,317
Trolley Storage Facility Rental and Utilities	542,076	482,730	539,192	1,563,998
Salaries and Benefits - Transit Supervisors	172,781	193,877	210,457	577,115
Comprehensive Multimodal Planning Study	144,706	19,701	34,027	198,434
Equipment Purchases	39,562	23,919	18,667	82,148
Miscellaneous Expenses	4,782	6,062	7,351	18,195
Total (Schedule II)	1,793,486	1,750,280	2,222,441	5,766,207
General Fund: Administrative Costs (5% of Surtax Proceeds)	99,062	104,580	106,616	310,258
Reductions per City of Coral Gables:				
Grant Proceeds for Trolley Operations	(120,929)	-	(164,866)	(285,795)
Income from Trolley Special Events Rentals	(27,421)	(25,729)	(17,680)	(70,830)
Investment Earnings on Surtax Funds	(5,693)	(5,738)	(28,691)	(40,122)
Transit Expenditures, as Claimed	1,738,505	1,823,393	2,117,820	5,679,718
AMS Adjustments:				
New Trolley and Van Purchases (Recorded in the Motor Pool Fund)	-	737,156	355,671	1,092,827
Vehicle Replacement Cost Included in Storage Allocations	(162,251)	(165,093)	(165,093)	(492,437)
County Transportation Planning Organization Fee	-	(5,555)	(16,667)	(22,222)
	(162,251)	566,508	173,911	578,168
Eligible Transit Expenditures (Schedule III)	\$ 1,576,254	\$ 2,389,901	\$ 2,291,731	\$ 6,257,886

Source: City of Coral Gables General Ledgers, vendor invoices, and other supporting documentation

As previously mentioned, *CITT Resolution No. 15-027* allows the carryforward of expenditures when they exceed annual Surtax Proceed allocations. As shown in Schedule III, the City incurred eligible expenditures that exceeded available Proceeds by \$3.7 million, which may be used to offset subsequent years' Surtax allocations.

Recommendation

Prospectively, claimed expenditures should be reviewed for completeness, and to ensure that only eligible expenditures are submitted.

Auditee Response

The City concurs.

Transportation Expenditures

Transportation-related expenditures consisted primarily of costs from the City’s Street Maintenance Division, which is responsible for street sweeping, roadway repairs, pressure cleaning, and supervising contracts for roadway repaving, drainage, and bridge maintenance and repair. The Division also performs ineligible activities such as canal maintenance, code enforcement, and graffiti removal. The City does not have substantiating documentation to support the hours worked on eligible activities, however it has elected to claim only those Street Maintenance expenditures sufficient to satisfy the annual MOE (Table IV).

**Table IV
Claimed Transportation Expenditures, as Adjusted**

Description	Fiscal Year Ended September 30,			All Years
	2017	2018	2019	
General Fund - Public Works, Streets Division				
Salaries and Benefits	\$ 831,256	\$ 905,389	\$ 944,861	\$ 2,681,506
Public Works Vehicles - Operation and Maintenance	361,120	321,262	738,936	1,421,318
General Liability Insurance	18,623	27,626	26,891	73,140
Road and Street Repairs	875	-	50,400	51,275
Employee Uniforms	4,484	5,489	5,243	15,216
Machinery and Equipment Repairs and Maintenance	1,533	4,176	3,918	9,627
Office Supplies and Equipment	1,926	1,834	2,169	5,929
	1,219,817	1,265,776	1,772,418	4,258,011
Less: Expenditures in Excess of Annual MOE	(270,830)	(316,789)	(823,431)	(1,411,050)
Eligible Transportation Expenditures (Schedule III)	\$ 948,987	\$ 948,987	\$ 948,987	\$ 2,846,961

Source: City of Coral Gables General Ledgers, vendor invoices, and other supporting documentation

Recommendation

Prospectively, the City should maintain employee time records or other substantiating documentation to support hours worked on Surtax-related activities.

Auditee Response

The City concurs.

CJ:bm

Attachments

- c: Honorable Harvey A. Ruvin, Clerk of the Courts
- Abigail Price-Williams, County Attorney
- Edward Marquez, Deputy Mayor
- Jennifer Moon, Deputy Mayor/Director, Office of Management and Budget
- Peter Iglesias, City Manager, City of Coral Gables

**Charter County Transportation System Surtax Review - City of Coral Gables
Transportation Capital Projects Fund - Balance Sheets**

Description	As of September 30,		
	2017	2018	2019
Assets:			
Pooled Cash and Cash Equivalents	\$ 567,999	\$ 379,635	\$ 592,582
Pooled Investments	554,381	1,030,814	877,886
Receivables for Securities Sold	91,746	-	-
Interest Receivable	1,373	1,589	1,881
Due from Other Governments	624,112	699,336	717,861
	<u>\$ 1,839,611</u>	<u>\$ 2,111,374</u>	<u>\$ 2,190,210</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 304,578	\$ 161,998	\$ 120,500
Accrued Liabilities	5,269	6,385	5,607
	309,847	168,383	126,107
Deferred Inflows of Resources - Unavailable Revenue:			
Municipal Surtax	138,998	-	-
Fund Balance:			
Assigned - Capital Projects	1,390,766	1,942,991	2,064,103
	<u>\$ 1,839,611</u>	<u>\$ 2,111,374</u>	<u>\$ 2,190,210</u>

Source: City of Coral Gables Audited Financial Statements

These Financial Statements are not complete without the accompanying Auditors' Reports and Notes.

Charter County Transportation System Surtax Review - City of Coral Gables
Transportation Capital Projects Fund
Statements of Revenues, Expenditures, and Changes in Fund Balance

Description	Fiscal Year Ended September 30,		
	2017	2018	2019
Revenues:			
Municipal Surtax ¹	\$ 1,986,765	\$ 2,271,038	\$ 2,132,315
Rental Income	27,421	25,729	17,680
Grants - State of Florida	120,929	-	164,866
Investment Earnings	5,693	5,738	28,692
Total Revenues	<u>2,140,808</u>	<u>2,302,505</u>	<u>2,343,553</u>
Expenditures:			
Current - Transportation	1,753,923	1,732,300	2,203,771
Capital Outlay	39,563	17,980	18,670
Total Expenditures	<u>1,793,486</u>	<u>1,750,280</u>	<u>2,222,441</u>
Excess (Deficiency) of Revenues over Expenditures	347,322	552,225	121,112
Fund Balance, Beginning of Year	1,043,444	1,390,766	1,942,991
Fund Balance, End of Year	<u>\$ 1,390,766</u>	<u>\$ 1,942,991</u>	<u>\$ 2,064,103</u>

Source: City of Coral Gables Audited Financial Statements

¹ Amounts do not agree with Schedule IV due to timing differences.

These Financial Statements are not complete without the accompanying Auditors' Reports and Notes.

**Charter County Transportation System Surtax Review - City of Coral Gables
Surtax Proceeds Usage Analysis**

Description	Fiscal Year Ended September 30,			All Years
	2017	2018	2019	
Revenues:				
Surtax Proceeds (Schedule IV) ¹	\$ 1,981,236	\$ 2,091,593	\$ 2,132,315	\$ 6,205,144
Surtax Uses:				
Eligible Transit Expenditures (Table III)	\$ 1,576,254	\$ 2,389,901	\$ 2,291,731	\$ 6,257,886
Eligible Transportation Expenditures (Table IV)	\$ 948,987	\$ 948,987	\$ 948,987	\$ 2,846,961
Less Maintenance of Effort (MOE, Table I)	(948,987)	(948,987)	(948,987)	(2,846,961)
Expenditures Available For Surtax Use	\$ -	\$ -	\$ -	\$ -
AMS Analysis of Surtax Proceeds Usage:				
Transit-Related Expenditures:				
Expenditures Available for Surtax Use	\$ 1,576,254	\$ 2,389,901	\$ 2,291,731	\$ 6,257,886
Less Surtax Proceeds	(1,981,236)	(2,091,593)	(2,132,315)	(6,205,144)
Increase (Decrease) in Carryforward Credits	\$ (404,982)	\$ 298,308	\$ 159,416	\$ 52,742
Analysis of Carryforward Amount:				
Beginning Balance ²	\$ (3,663,595)	\$ (3,258,613)	\$ (3,556,921)	\$ (3,663,595)
(Increase) Decrease in Carryforward Credits	404,982	(298,308)	(159,416)	(52,742)
Remaining Carryforward Credit Amount	\$ (3,258,613)	\$ (3,556,921)	\$ (3,716,337)	\$ (3,716,337)

¹ Amounts do not agree with Schedule II due to timing differences.

² See the April 27, 2017 Audit Report for the beginning balance.

**Charter County Transportation System Surtax Review
Summary of Payments to Municipalities**

Municipality	Fiscal Year Ended September 30,					All Years
	2003 to 2015	2016	2017	2018	2019	
City of Miami ¹	\$ 163,251,890	\$ 16,889,133	\$ 16,523,990	\$ 18,187,632	\$ 19,212,362	\$ 234,065,007
City of Hialeah	94,519,774	9,243,159	9,346,775	9,873,020	10,107,558	133,090,286
City of Miami Beach	37,554,491	3,670,335	3,678,499	3,925,123	3,963,754	52,792,202
City of Miami Gardens ²	22,375,665	4,336,722	4,409,954	4,737,286	4,846,211	40,705,838
City of North Miami	24,592,952	2,454,241	2,473,804	2,665,998	2,700,412	34,887,407
City of Homestead	20,867,813	2,669,792	2,788,854	2,969,698	3,152,022	32,448,179
City of Coral Gables	18,755,177	1,955,854	1,981,236	2,091,593	2,132,315	26,916,175
City of North Miami Beach	17,154,830	1,733,203	1,746,039	1,882,765	1,945,188	24,462,025
City of Aventura	12,992,928	1,494,036	1,502,980	1,590,870	1,613,705	19,194,519
City of Doral ²	9,003,402	2,120,606	2,232,433	2,508,437	2,747,033	18,611,911
Town of Miami Lakes ¹	11,086,213	1,209,319	1,211,635	1,288,227	1,309,407	16,104,801
Town of Cutler Bay ²	8,525,502	1,721,858	1,769,140	1,899,220	1,935,984	15,851,704
Village of Palmetto Bay	10,074,295	952,951	956,304	1,013,542	1,033,365	14,030,457
City of Hialeah Gardens	8,635,855	904,713	922,372	986,599	1,007,122	12,456,661
City of Sunny Isles Beach	7,759,606	869,990	866,019	933,221	951,809	11,380,645
Village of Pinecrest ³	7,840,962	737,876	738,316	777,521	790,584	10,885,259
City of Miami Springs	5,682,283	562,418	565,087	601,223	608,639	8,019,650
City of Sweetwater ¹	5,070,356	273,778	133,332	466,662	166,116	6,110,244
City of South Miami	4,767,184	546,219	547,720	546,151	541,343	6,948,617
City of Opa-locka ¹	6,329,004	90,323	195,000	210,000	120,000	6,944,327
Village of Key Biscayne	4,809,375	502,197	508,734	540,692	550,288	6,911,286
City of Florida City	4,132,139	498,385	504,443	542,769	557,265	6,235,001
Miami Shores Village	4,308,419	419,557	420,697	443,831	447,113	6,039,617
North Bay Village	2,808,576	314,789	328,007	378,523	384,140	4,214,035
City of West Miami	2,445,250	241,053	241,373	279,166	307,465	3,514,307
Town of Surfside	2,314,098	229,428	228,739	234,500	248,902	3,255,667
Town of Bay Harbor Islands	2,209,631	231,953	222,682	234,375	249,414	3,148,055
Village of Biscayne Park	1,342,176	125,900	126,220	135,905	135,965	1,866,166
Bal Harbour Village	1,262,745	114,472	111,421	114,881	125,178	1,728,697
Village of El Portal ⁴	1,012,447	6,467	174,873	90,094	89,175	1,373,056
Village of Virginia Gardens	973,380	96,229	96,903	102,910	103,132	1,372,554
Town of Medley	429,285	34,442	33,529	35,277	35,617	568,150
Town of Golden Beach ¹	365,820	36,766	37,221	39,423	39,386	518,616
Indian Creek Village	3,604	-	-	-	-	3,604
	<u>\$ 525,257,127</u>	<u>\$ 57,288,164</u>	<u>\$ 57,624,331</u>	<u>\$ 62,327,134</u>	<u>\$ 64,157,969</u>	<u>\$ 766,654,725</u>

Source: Office of the Citizens' Independent Transportation Trust (OCITT) and the County's Financial Accounting Management Information System

¹ Amounts are net of withholdings of \$76,553 from the Town of Miami Lakes, \$2.1 million from the City of Sweetwater, \$21,058 from the Town of Golden Beach, \$2.3 million from the City of Opa-locka, and \$3.3 million from the City of Miami, due to specific instances of noncompliance. Partial amounts were released as follows: \$1.3 million to Sweetwater on 11/27/2019, and \$901,927 to Opa-locka on 3/9/2020.

² Pursuant to the respective Interlocal and/or Settlement Agreements, these Municipalities, which were incorporated after November 2002, are receiving a share of the County's Surtax Proceeds consistent with the other Municipal distributions.

³ In FY 2009, \$551,589 was returned by the Village of Pinecrest for their unspent Transit portion of funding as of September 30, 2007. In FY 2013, OCITT returned the monies to the Village.

⁴ Amount in FY 2016 is net of \$84,069 withheld due to instances of noncompliance, which was returned in FY 2017 by OCITT.