

# CITY OF NORTH MIAMI BEACH, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) SEPTEMBER 30, 2021

As management of the City of North Miami Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages 1 to 11 of this report.

### **Financial Highlights**

*Total net position* of the City of North Miami Beach increased by \$10.8 million or 6.6% more than the prior fiscal year net position to \$175.5 million. The increase noted was primarily as a result of current year operations in the business-type funds, as discussed in more detail below.

- **Water Utility Fund & Wastewater Utility:** Other operating costs decreased significantly due to the insourcing of operations, maintenance and capital improvement programming costs that were previously contracted to CH2M Hill Engineers, Inc (now Jacobs). In addition, the City changed the allocation for balances determined through the actuarial valuation for the General Employee Pension Plan of the City of North Miami Beach. See Note 15 – Restatement of Prior Year Balances.

*Total deferred outflows of resources* decreased by \$2.4 million or 9.9%. Deferred outflows of resources, as it relates to the pension plans, are a function of various factors, inclusive of investment income, plan experience and changes in assumptions between fiscal years as determined through the actuarial valuation. Refer to Note 11 for additional information.

*Total liabilities* decreased by \$16.7 million or 6.2% primarily as a result of the satisfaction of debt service requirements for the City's General Obligations bonds and notes. Refer to Note 9 for additional information.

*Total Deferred inflows of resources* increased by \$9.6 million or 1371.4%. Deferred inflows of resources, as it relates to the pension plans, are a function of various factors, inclusive of investment income, plan experience and changes in assumptions between fiscal years as determined through the actuarial valuation. Refer to Note 11 for additional information.

*Total governmental activities revenues* increased by approximately \$4.9 million, or 8.7%.

- Compared to the prior fiscal year, there was an increase of \$1.2 million in property taxes revenue, primarily as a result of an increase in ad valorem taxes receipts, compared to prior fiscal year. Ad valorem revenue is a function of assessed property values, new construction, changes in personal incomes and the City's operating millage rates.

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- Intergovernmental revenues were \$1.0 million higher in comparison to the prior year due to receipts for state revenue sharing and half-cent sales tax revenue. Both sources are a function of sales and the City's population compared to other jurisdictions which participate in these State of Florida revenue sources.
- Other taxes were \$2.8 million higher compared to the prior year due to an increase in user surcharges and franchise fees for solid waste. The surcharges are a function of user consumption for various services. The franchise fee for solid waste is a function of the amounts billed by Waste Management which increased significantly in comparison to the prior year.
- *Total business-type activities revenues* increased by approximately \$3.8 million or 5.8%. The increase is primarily due to an increase in charges for services related to solid waste and building permits. The increase for solid waste revenues is due to a rate increase during the current year. The increase in building permit revenues is due to an increase in the number of permits issued, as well the construction value associated with those permits.
- *Total business-type activities expenses* decreased by \$11.2 million or 17.1% primarily due to decreased operating costs in the Water Utility Fund & Wastewater Utility due to the insourcing of operations, maintenance and capital improvement programming costs that were previously contracted to CH2M Hill Engineers, Inc (now Jacobs). In addition, the City changed the allocation for balances determined through the actuarial valuation for the General Employee Pension Plan of the City of North Miami Beach.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48.6 million, an increase of \$2.0 million above the prior fiscal year. Approximately 32.1% or \$15.6 million of this amount is available for spending at the City's discretion (*unassigned fund balance*).
- The City's Water Utility Fund had a positive change in net position of \$10.5 million. The Wastewater Utility Fund had a positive change in net position of \$2.9 million. The Solid Waste Fund had a negative change in net position of \$4.2 million. The other enterprise funds had a negative change in net position of approximately \$38,000

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of North Miami Beach's basic financial statements. The components of the basic financial statements include:

- Government-wide financial statements
- Fund financial statements

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- Notes to the financial statements

Other supplementary information is also included in this report. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

### **Government-wide financial statements:**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety, public services, parks and recreation services, code compliance, planning and zoning, economic development, and general and administrative services. The business-type activities of the City include water, sewer, and stormwater operations, sanitation services and building permitting.

The government-wide financial statements include not only the City of North Miami Beach (known as the *primary government*), but also a legally separate community redevelopment agency for which the City is financially accountable. This *component unit* functions for all practicable purposes as a department and special revenue fund of the City and has been included as an integral part of the primary government.

*The government-wide financial statements can be found on pages 37-38 of this report.*

### **Fund financial statements:**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local

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governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental funds:**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

*The basic governmental fund financial statements can be found on pages 39-42 of this report.*

### **Proprietary funds:**

Proprietary funds are used when fees are charged to customers for the use of specific goods or services. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds:

*Enterprise funds* provide separate information for the water and wastewater operations and solid waste services, which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of *combining statements* elsewhere in this report

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*Internal service funds* are used to accumulate and allocate costs for goods and services provided internally among the City's various funds and functions. Any net increase or deficiency in net position in the internal service fund is allocated back to the participating funds.

*The basic proprietary fund financial statements can be found on pages 43-45 of this report.*

### **Fiduciary funds:**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are accounted for in a manner similar to proprietary funds.

*The basic fiduciary fund financial statements can be found on pages 46-47 of this report.*

### **Notes to the financial statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Note 14 includes information regarding the Community Redevelopment Agency.

*The notes to the basic financial statements can be found on pages 48-85 of this report.*

### **Other information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI). The City adopts an annual appropriated budget for its General Fund and Community Redevelopment Agency. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. Additional RSI displays the City's changes in net pension and OPEB liabilities and employer contributions to the various plans.

*Required supplementary information can be found on pages 86-97 of this report.*

The combining statements referred to earlier in connection with non-major funds are presented immediately following the required supplementary information. Budgetary comparison schedules are included for non-major governmental funds that legally adopt budgets.

*Combining statements and budgetary schedules can be found on pages 98-116 of this report.*

### **Government-Wide Financial Analysis**

*Net investment in capital assets* - The largest portion of the City's net position (97.0%) reflects its investment in capital assets (e.g., land, buildings, and equipment) less any outstanding debt used to acquire those assets. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

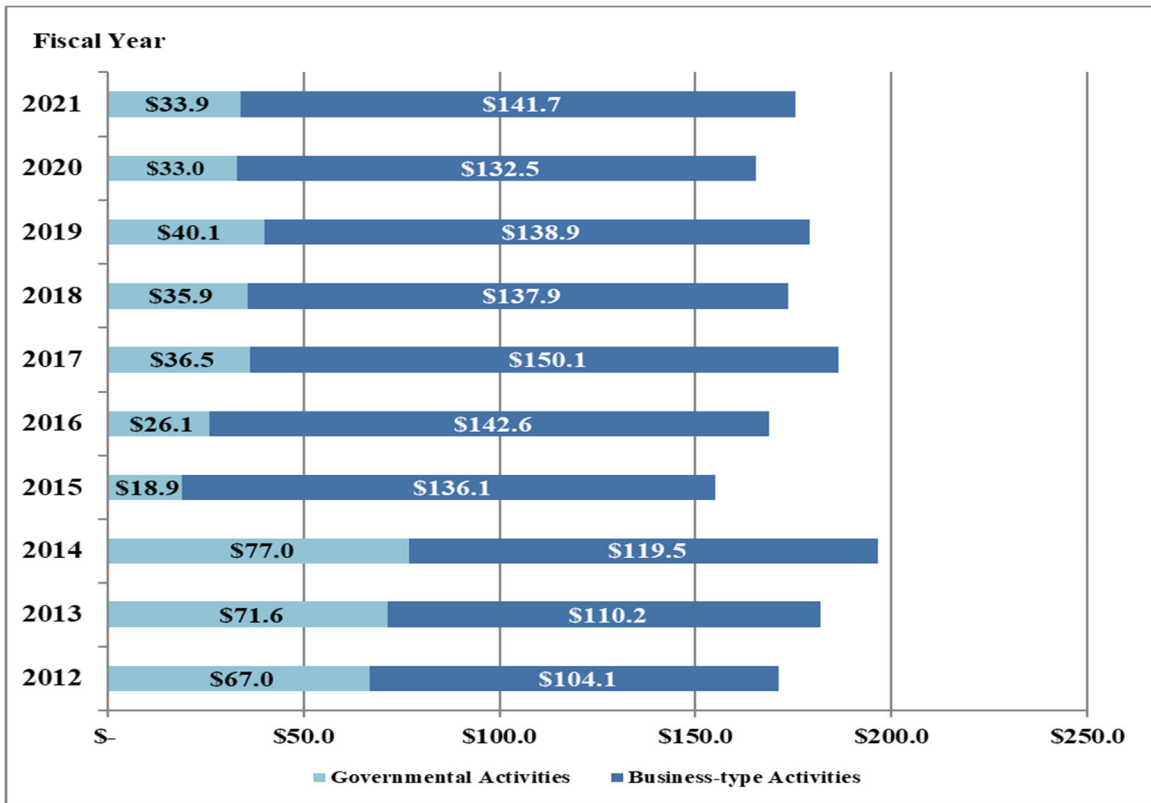
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*Restricted net position* - Some of the City's net position (17.8%) is subject to external restrictions on how it may be used. These resources have been set aside for capital projects, debt service payments, and other contractual obligations.

*Unrestricted net position* - At September 30, 2021, the City's governmental activities reported a negative balance in the unrestricted category primarily due to the Net pension liability for the City's General Employees and Police Officers and Firefighters Pension Plans. The City is able to report positive balances in the remaining categories of net position for its Governmental activities and Business-type activities.

The following chart displays the City’s **total net position** over the last ten fiscal years (in millions).



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## Condensed Government-wide Statement of Net Position

The following chart provides a condensed statement of government-wide net position with comparative balances between the current and last fiscal year (in millions).

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred</b>						
<b><u>Outflows of Resources</u></b>						
Current	\$ 55.9	\$ 50.6	\$106.5	\$ 52.1	\$ 42.6	\$ 94.7
Non-current	-	0.3	0.3	-	0.3	0.3
Restricted assets	-	61.7	61.7	-	66.7	66.7
Capital assets, net	<u>74.4</u>	<u>172.0</u>	<u>246.4</u>	<u>72.8</u>	<u>175.1</u>	<u>247.9</u>
Total assets	<u>\$ 130.3</u>	<u>\$ 284.6</u>	<u>\$414.9</u>	<u>\$ 124.9</u>	<u>\$ 284.7</u>	<u>\$409.6</u>
Deferred outflows of resources	<u>\$ 19.6</u>	<u>\$ 2.3</u>	<u>\$ 21.9</u>	<u>\$ 22.1</u>	<u>\$ 2.2</u>	<u>\$ 24.3</u>
<b>Liabilities and Deferred</b>						
<b><u>Inflows of Resources</u></b>						
Long-term liabilities	\$ 99.4	\$ 120.6	\$220.0	\$ 104.8	\$ 131.8	\$236.6
Other liabilities	<u>8.8</u>	<u>22.1</u>	<u>30.9</u>	<u>8.5</u>	<u>22.5</u>	<u>31.0</u>
Total liabilities	<u>\$ 108.2</u>	<u>\$ 142.7</u>	<u>\$250.9</u>	<u>\$ 113.3</u>	<u>\$ 154.3</u>	<u>\$267.6</u>
Deferred inflows of resources	<u>\$ 7.8</u>	<u>\$ 2.5</u>	<u>\$ 10.3</u>	<u>\$ 0.7</u>	<u>\$ -</u>	<u>\$ 0.7</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 61.2	\$ 109.2	\$170.4	\$ 57.6	\$ 80.3	\$137.9
Restricted	10.4	20.8	31.2	9.8	26.5	36.3
Unrestricted	<u>(37.7)</u>	<u>11.7</u>	<u>(26.0)</u>	<u>(34.4)</u>	<u>25.7</u>	<u>(8.7)</u>
Total net position	<u>\$ 33.9</u>	<u>\$ 141.7</u>	<u>\$175.6</u>	<u>\$ 33.0</u>	<u>\$ 132.5</u>	<u>\$165.5</u>

### Governmental activities:

Net position of the City's governmental activities increased by \$.9 million resulting in a balance of \$33.9 million at the end of the current fiscal year. The increase is primarily due to the net effect of the following:

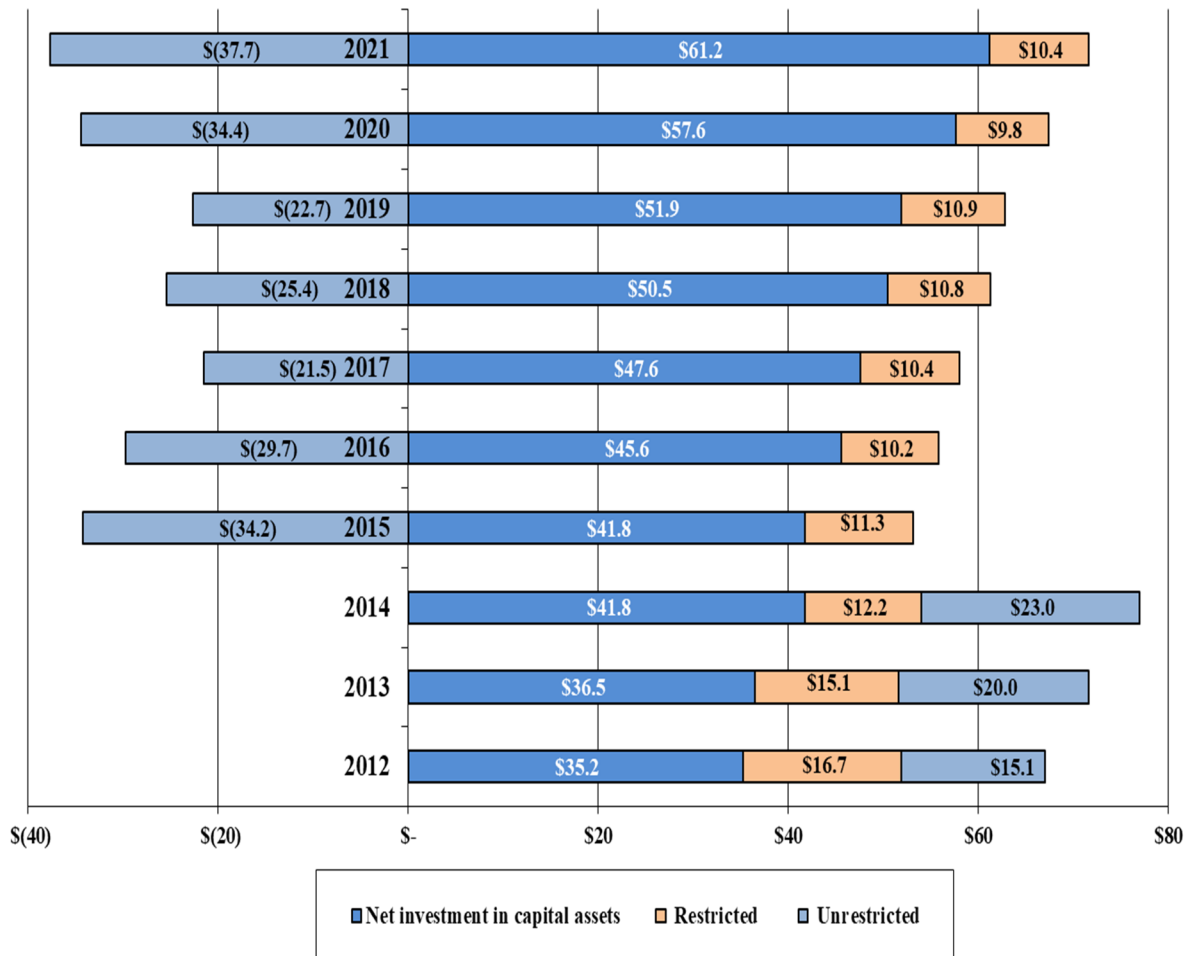
- Favorable results from operations for the General Fund. See budgetary comparison schedule on page 86 & 87 for more information.
- Timing of capital outlays for the Community Redevelopment Agency that were budgeted but not expended as of September 30, 2021. See budgetary comparison schedule on page 88 for more information.
- Expenses for public safety from the Confiscated Property Fund decreased net position.

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## Governmental activities Net Position (in millions)

Fiscal Year



### Business-type activities:

The City's net position of the business-type activities increased by approximately \$9.2 million or (6.9%) above the prior fiscal year amount. The increase is primarily due to the net effect of the following:

- Decreased operating costs in the Water Utility Fund & Wastewater Utility funds due to the insourcing of operations, maintenance and capital improvement programming costs as discussed earlier.
- Increased operating costs in the Solid Waste fund due to amounts billed by Waste Management for solid waste and recycling. The amounts billed by Waste Management

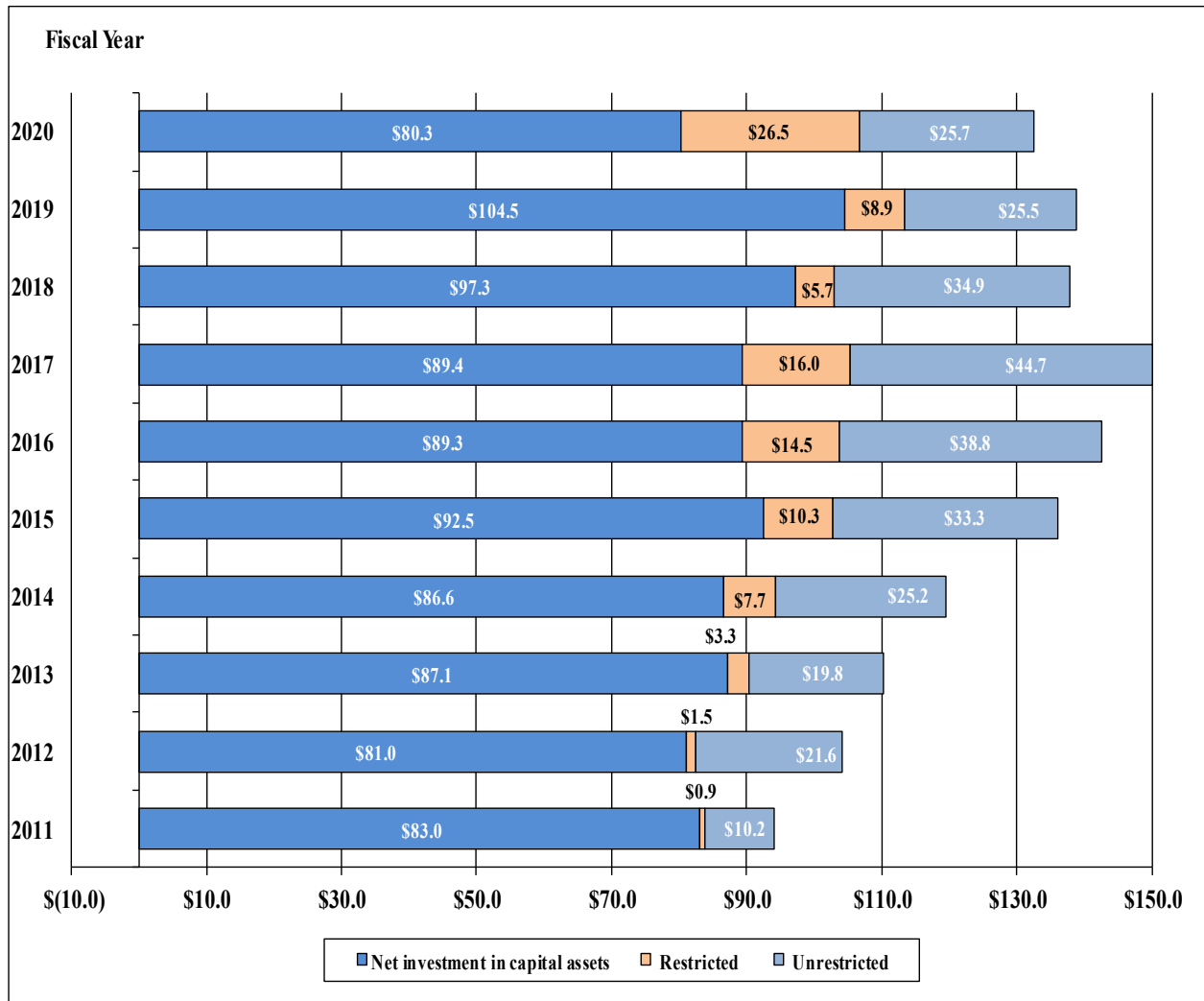


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increased significantly in comparison to the prior year. In December 2020 and in March 2021 the rates charged by Waste Management were significantly increased.

## Business-type Activities Net Position (in millions)



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### Government-wide Statement of Changes in Net Position

The following table provides a summary comparison of the government-wide statement of changes in net position between the current and last fiscal year as restated (in millions).

	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 3.5	\$ 66.5	\$ 70.0	\$ 3.5	\$ 58.4	\$ 61.9
Operating grants & contributions	1.0	-	1.0	1.2	-	1.2
Capital grants & contributions	0.4	-	0.4	0.2	-	0.2
General Revenues:						
Property taxes	22.9	-	22.9	21.7	-	21.7
Other taxes	24.7	1.7	26.4	21.9	1.3	23.2
Intergovernmental	7.5	-	7.5	6.5	-	6.5
Other miscellaneous	1.1	1.2	2.3	1.2	5.9	7.1
<b>Total revenues</b>	<u>61.1</u>	<u>69.4</u>	<u>130.5</u>	<u>56.2</u>	<u>65.6</u>	<u>121.8</u>
<b>Expenses:</b>						
General government	24.2	-	24.2	26.3	-	26.3
Public safety	28.5	-	28.5	31.6	-	31.6
Parks and Recreation	5.7	-	5.7	5.4	-	5.4
Public services	6.4	-	6.4	5.9	-	5.9
Interest on long-term debt	0.6	-	0.6	0.6	-	0.6
Water	-	30.5	30.5	-	39.1	39.1
Sewer	-	7.4	7.4	-	11.9	11.9
Solid Waste	-	13.8	13.8	-	11.0	11.0
Stormwater	-	0.9	0.9	-	1.4	1.4
Building permits	-	1.7	1.7	-	2.1	2.1
<b>Total Expenses</b>	<u>65.4</u>	<u>54.3</u>	<u>119.7</u>	<u>69.8</u>	<u>65.5</u>	<u>135.3</u>
Increase (decrease) in net position before transfers	(4.3)	15.1	10.8	(13.6)	0.1	(13.5)
Transfers	6.6	(6.6)	-	6.4	(6.4)	-
<b>Change in net position</b>	2.3	8.5	10.8	(7.2)	(6.3)	(13.5)
Net position - beginning, as previously stated	32.9	132.6	165.5	40.1	138.9	179.0
Restatement of net position	(1.3)	0.6	(0.7)	-	-	-
Net position - beginning, as restated	31.6	133.2	164.8	40.1	138.9	179.0
Net position - ending	<u>\$ 33.9</u>	<u>\$ 141.7</u>	<u>\$ 175.6</u>	<u>\$ 32.9</u>	<u>\$ 132.6</u>	<u>\$ 165.5</u>

### Financial Analysis of the City's Funds

The City of North Miami Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the fund financial statements is on major funds,

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rather than fund types. Traditional users of the fund financial statements will find the fund financial statements presentation more familiar.

**Governmental funds:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The Governmental Funds presentation is designed to show the sources and uses of liquid resources. This is the manner in which the budget is typically developed. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's current financial resources available for discretionary spending.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (nonspendable, restricted, committed, assigned, and unassigned) of \$48.6 million, a decrease of \$2.0 million below the prior year. Approximately .9% of the fund balance of the governmental funds was in nonspendable form. In other words, the assets are not cash and will not be converted into cash. This classification includes items such as prepaid costs and inventory. The use of 21.3% of fund balance is restricted by third parties such as grantors, creditors, or other governmental entities for specific types of expenditures and for mitigation of the effect of development on parks and public safety. The City Commission through ordinance or resolution has committed 6.8% of fund balance to be used for the specific purposes of alley restoration and disaster recovery. The City Manager has assigned approximately 38.9% of fund balance to be used for capital projects and equipment, land acquisition, liability and workers' compensation claims and expenditures for next fiscal year. *Unassigned fund balance* is the portion of fund balance that is available for spending at the City's discretion 32.1% of fund balance (\$15.6 million) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. All revenues and other receipts and expenditures, fixed charges and capital improvement costs that are not required by law or contractual agreement to be accounted for in another fund are accounted for in this fund. At the end of the current fiscal year, fund balance in the general fund is \$39.6 million. The unassigned fund balance of \$15.6 million constitutes 39.3% of total general fund balance which represents a decrease of \$2.2 million or 13.5% below the prior year.

Unassigned Fund balance decreased by \$2.4 million in comparison to the prior year. The difference is due to the fact that approximately \$2.6 million in encumbrances were included in the Unassigned Fund balance in the prior year. If the encumbrances had been included in the "Assigned" category, the net change in Unassigned Fund balance from the prior year would have reflected a positive increase of approximately \$.2 million.

*Total General Fund revenues* increased \$4.5 million above last fiscal year due to higher receipts for Ad valorem revenue, Intergovernmental revenue, and Other Taxes revenue. The following

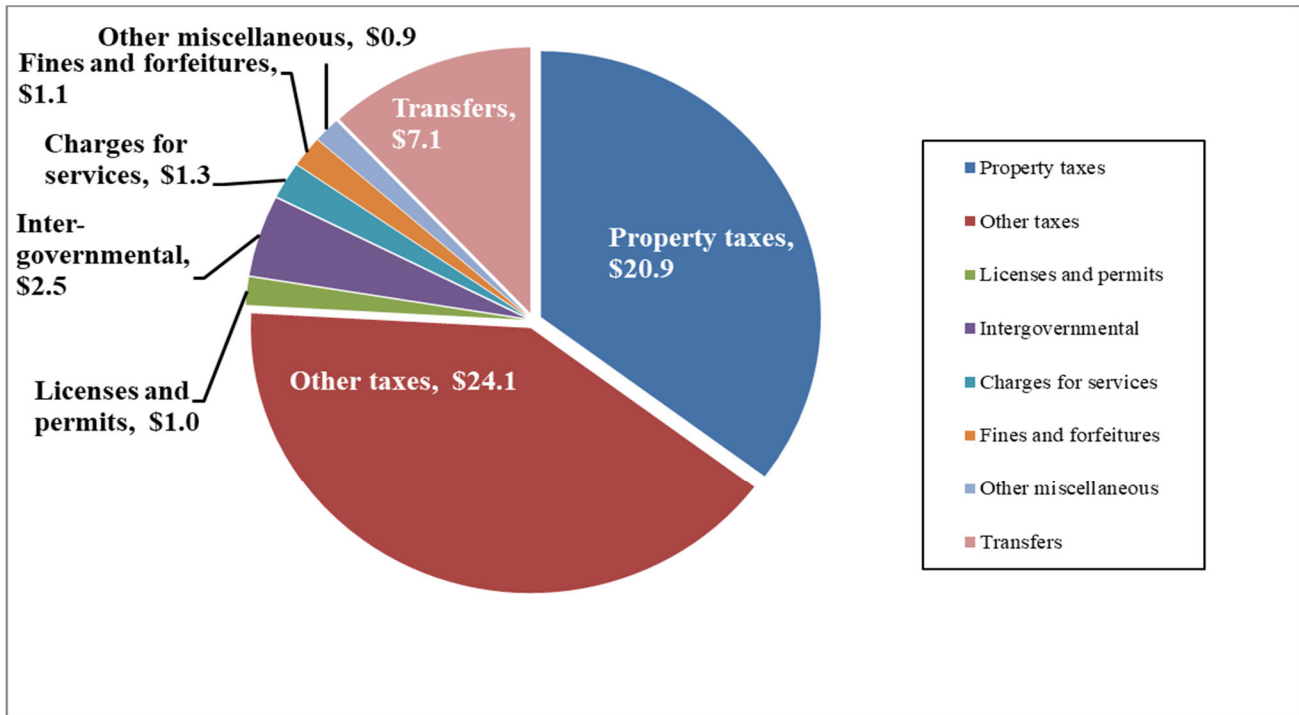
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graphics display (in millions) the classifications of revenues relative to the total fiscal year 2021 general fund revenues and relative to the fiscal year 2020 General Fund revenues.

The CRA is a blended component unit. Its fund balance increased by \$1.3 million as a result of increased tax collections and the timing of capital projects (mainly land acquisition).

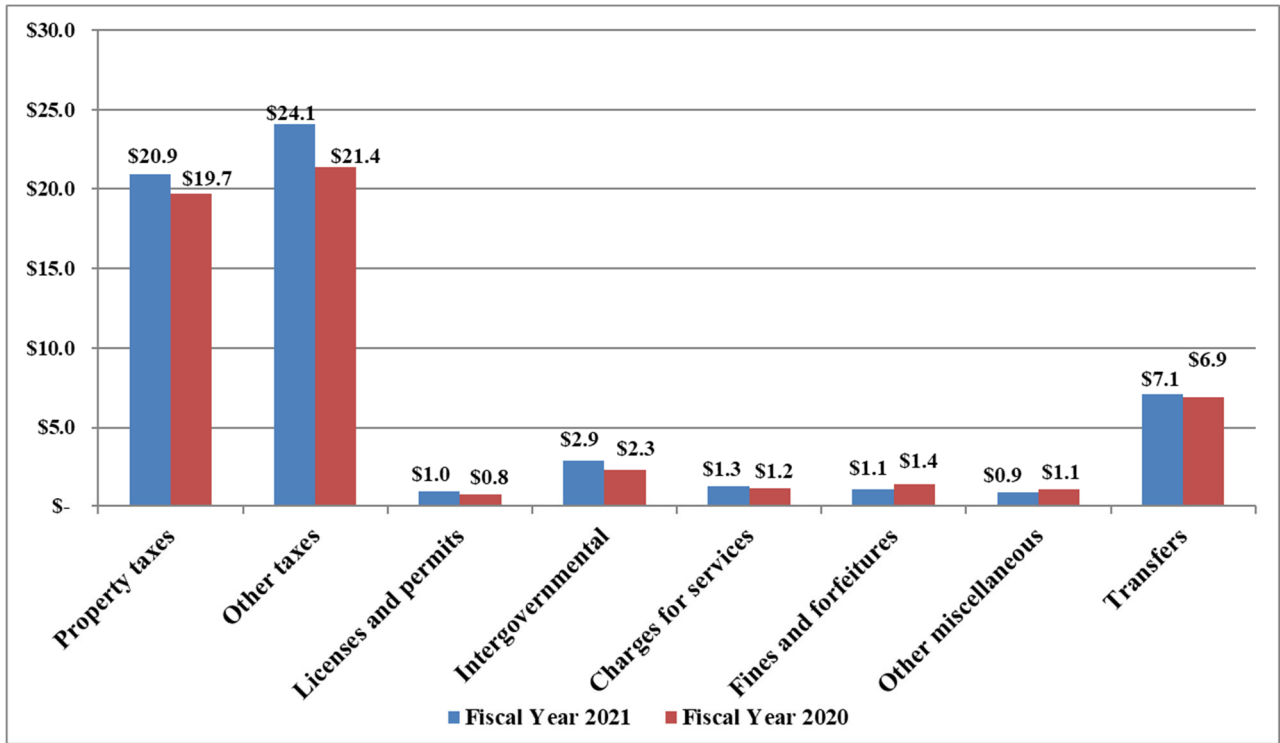
**General Fund Revenues by Source (in millions)**



**Current Year vs. Prior Year General Fund Revenues (in millions)**

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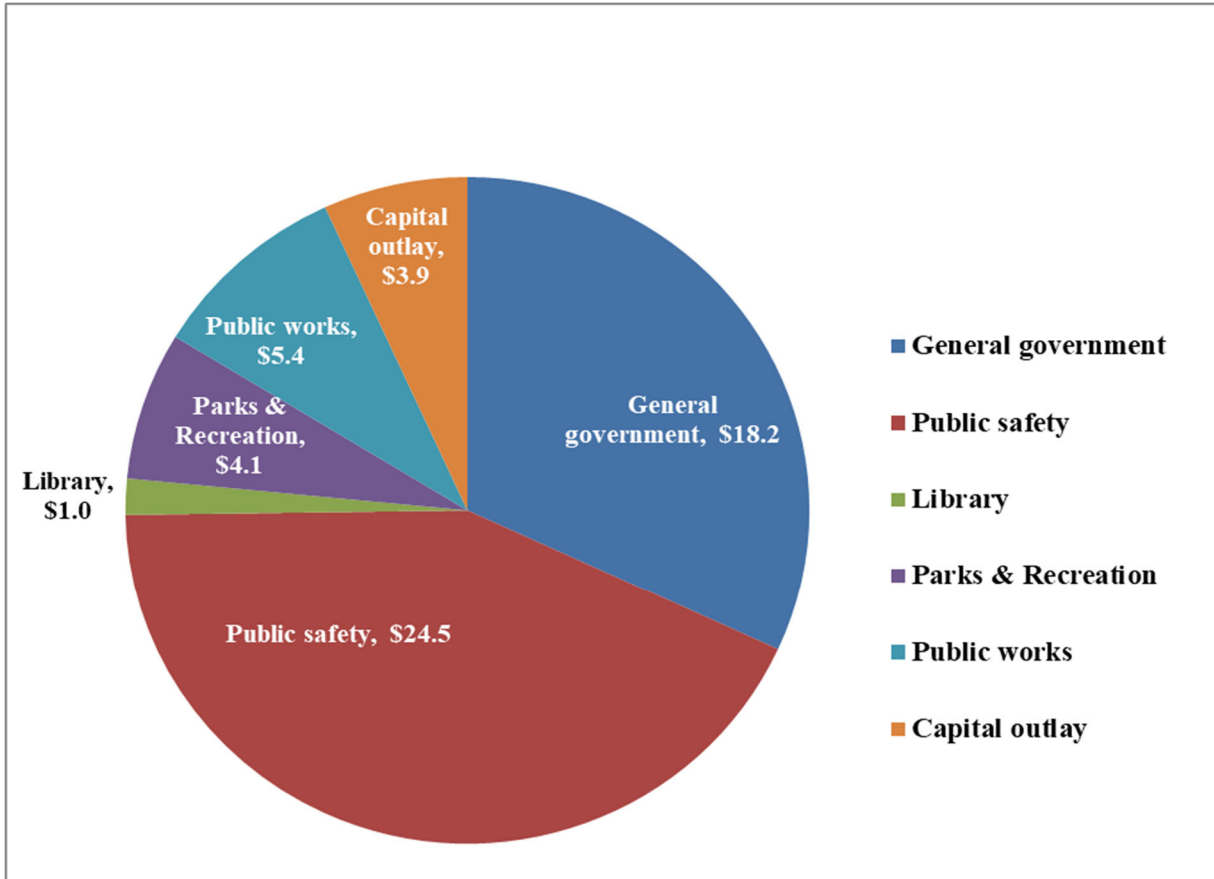


*Total General Fund expenditures* increased by \$1.6 million or 2.8% as compared to the prior year. The following graphic displays (in millions) the classifications of expenditures relative to the total fiscal year 2021 general fund expenditures.

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**General Fund Expenditures (in millions)**



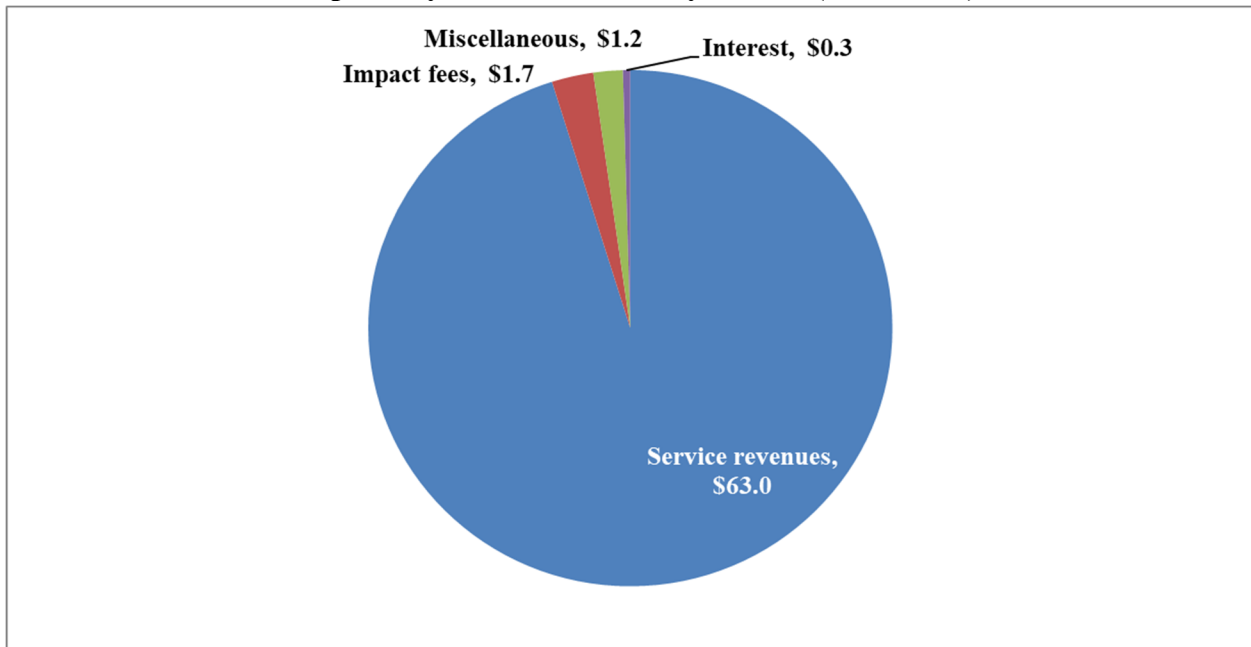
**Proprietary funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees charged to customers. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

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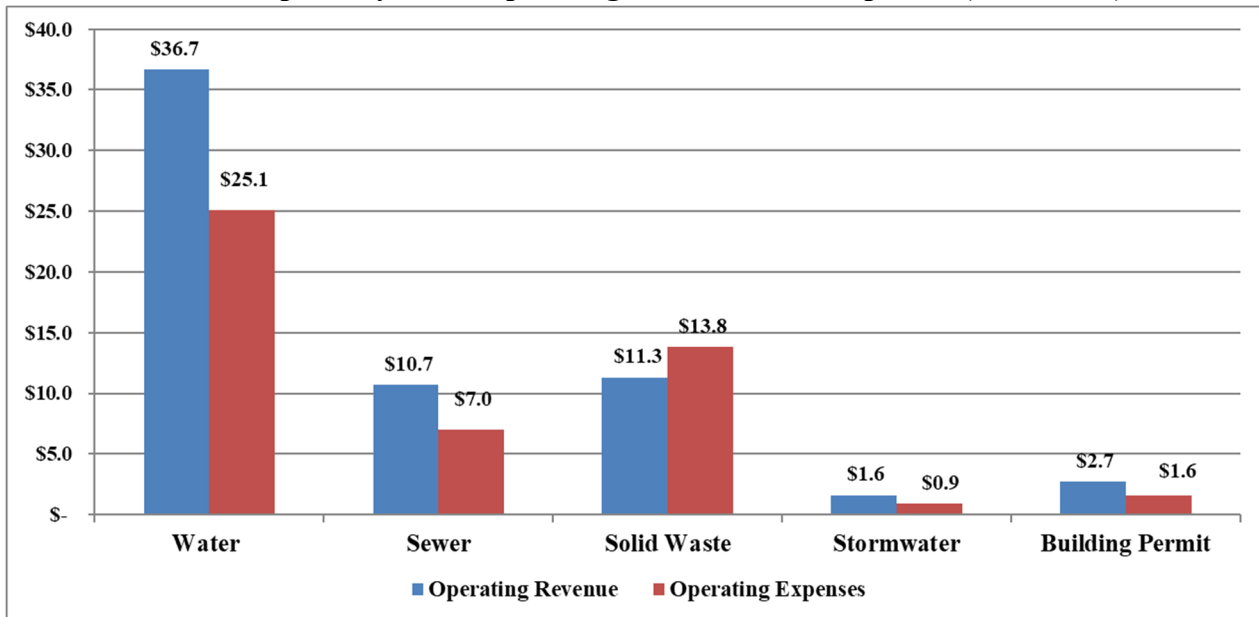
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The following graphics display (in millions) the sources of proprietary fund revenues relative to the total fiscal year 2021 proprietary fund revenue and a comparison between the operating revenues and expenses of each proprietary fund for the current fiscal year.

**Proprietary Fund Revenues by Source (in millions)**



**Proprietary Fund Operating Revenues and Expenses (in millions)**



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Water Utility Fund and Wastewater Utility Fund (Sewer) operating costs decreased significantly due to the insourcing of operations, maintenance and capital improvement programming costs as discussed earlier. The gap between revenues and expenses will decrease as the City continues to fill vacant positions as part of the transition.

Solid Waste Fund had increased operating costs due to amounts billed by Waste Management for solid waste and recycling during the month-to-month transition period.

### **General Fund Budgetary Highlights**

A budgetary comparison schedule for the General Fund is part of the required supplementary information and can be found on pages 87-88 of this report.

Differences between the *original budget* and the *final amended budget* amounted to an increase of approximately \$2.4 million during the current fiscal year. The difference was primarily due to an increase to the original budget to provide for amounts encumbered for capital projects at the end of the prior fiscal year.

The differences in the *actual* revenues and expenditures as compared to the *final amended budget* are summarized as follows:

- Fuel taxes and Intergovernmental revenues were higher than the final budget. These are a function of current consumer spending patterns which were significantly higher than we had conservatively budgeted.
- User surcharges and Franchise fees were higher than the final budget. These are also a function of current consumer spending. In addition, these amounts are affected by rate increases.
- Parks & Recreation fees were lower than the final budget. This is primarily due to the closure of many of the City's parks and recreation facilities due to the unprecedented impact of Covid-19.
- Fines and forfeitures were lower than the final budget primarily due to a decrease in fines related to red light cameras and parking fines.
- Impact fees were higher than final budget primarily due to an increase in new construction which was higher than we had conservatively budgeted.
- Miscellaneous revenues were higher than final budget primarily due to the reimbursement from FEMA for expenditures relating to Covid-19 and FEMA.



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- All expenditures exhibited positive variances except operating expenditures for the Legislative Department. The negative variance was the result of costs for part-time personnel and insurance costs incurred during the fiscal year.
- The positive variance in Capital Outlay is primarily due to the timing of expenditures relating to projects. A significant portion of this amount has been appropriated for next year's budget.

### **Community Redevelopment Agency Budgetary Highlights**

- The positive variance in Capital Outlay is primarily due to the timing of expenditures relating to land acquisition. A significant portion of this amount has been appropriated for next year's budget.

### **Capital Assets and Debt Administration**

#### **Capital assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$246.4 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The City's investment in capital assets for the current fiscal year decreased by \$1.5 million or 0.6%.

A significant amount of construction projects was in progress during the fiscal year in both the business-type and governmental activities resulting in an increase in the construction in progress category. All other categories have declined as a result of depreciation, except land, which does not depreciate and furniture, fixtures, machinery, and equipment that saw a slight uptick.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) SEPTEMBER 30, 2021

The following chart provides a condensed schedule of government-wide capital assets with comparative balances between the current and last fiscal year.

### Capital Assets, net of accumulated depreciation (in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
	Land	\$ 4.3	\$ 4.3	\$ 5.9	\$ 5.9	\$ 10.2
Buildings and plant	1.0	1.1	116.3	123.0	117.3	124.1
Improvements other than buildings	11.1	12.2	-	-	11.1	12.2
Furniture, fixtures, machinery and equipment	7.3	7.2	2.7	2.7	10.0	9.9
Infrastructure	14.6	15.4	-	-	14.6	15.4
Construction in progress	36.1	32.6	47.1	43.5	83.2	76.1
Total capital assets	<u>\$ 74.4</u>	<u>\$ 72.8</u>	<u>\$ 172.0</u>	<u>\$ 175.1</u>	<u>\$ 246.4</u>	<u>\$ 247.9</u>

Additional information on the City's capital assets can be found in Note 7 of this report.

### Long-term Debt

Fitch Ratings upgraded the bond rating to "AA-" with a stable outlook during 2016. S&P and Fitch affirmed the City's ratings in January 2020. On October 15, 2021, subsequent to the close of the fiscal year, the City received Fitch Ratings Services rating to 'A+' from 'AA-' with an outlook to negative. The downgraded of the bond rating reflects unexpected weakening in fiscal year 2020 as revenues were impacted by the pandemic and related moratoriums and the City taking control back from the private management company.

At the end of the current fiscal year, the City had total bonded debt outstanding, net of bond premiums of \$132.1 million, total notes payable of \$.9 million, and State Revolving loans outstanding of \$17.8 million. Of this amount, \$12.0 million was approved by referendum of the City's voters. The remaining \$101.4 million of the bonds, notes and loans has been secured by specified revenue sources of the water and sewer utility operating income. Tax Increment Financing revenues have been pledged for the CRA debt totaling \$.9 million.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) SEPTEMBER 30, 2021

The following chart provides information on the City's outstanding long-term debt with comparative balances between the current and last fiscal year.

### **Denominated Long-Term Debt Outstanding (in millions)**

	Governmental activities		Business-type activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 12.0	\$ 13.4	\$ -	\$ -	\$ 12.0	\$ 13.4
Revenue bonds	-	-	101.4	106.0	101.4	106.0
Notes payable	0.9	1.1	-	0.2	0.9	1.3
State Revolving Loans	-	-	17.8	19.0	17.8	19.0
Total	<u>\$ 12.9</u>	<u>\$ 14.5</u>	<u>\$ 119.2</u>	<u>\$ 125.2</u>	<u>\$ 132.1</u>	<u>\$ 139.7</u>

This chart indicates that the City continues to make steady progress in paying down its debt obligations. Additional information on the City's long-term debt can be found in Note 9 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The City's property tax is levied every October 1st, on the assessed value listed as of the prior January 1, for all real and personal property located in the City. Property taxes are based on a millage rate (one mil is the equivalent of \$1 per \$1,000 of assessed value or 0.001), which is applied to the total taxable value of all real property and certain tangible personal property. The Miami-Dade County Property Appraiser establishes assessed values and delivers the Certified Taxable Value of each property to the City on or before July 1st of each year. The gross taxable value on January 1, 2021, upon which the 2021-2022 levy was based, is approximately \$3.66 billion.

Depending upon policies established by the City Commission, revenue from Ad Valorem taxes may be used to fund both operating costs and capital projects. The City is permitted by state law to levy taxes up to 10 mils of assessed valuation for the General Fund. State constitutional provisions exist for raising the millage rate above the 10-mil cap by local referendum and for debt service or provision of municipal-type services within the City. The adopted operating millage rate for Fiscal Year 2022 is 6.2000 per \$1,000 of taxable value which is the same as the prior fiscal

# **CITY OF NORTH MIAMI BEACH, FLORIDA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) SEPTEMBER 30, 2021**

year's operating millage rate. The adopted debt service millage rate is 0.5740 per \$1,000 of taxable value which is a reduction of 0.0281 from Fiscal Year 2021 debt service millage rate of 0.6021.

The City was allocated a total of \$21.56 million from the American Rescue Plan Act (ARPA) and in September 2021, the City Commission approved staff's ARPA allocation, which laid out the proposed major expenditure categories of the projected ARPA funding. The first distribution of the proceeds in the amount of \$10.78 million was received in October 2021 and the second half is in the amount of \$10.78 is anticipated to be received in October 2022. In FY 2022, approximately \$1.1 million of ARPA funds will be used to fund government services in the General Fund and approximately \$1.2 million will be used to fund government services in the Solid Waste Fund. The remaining amounts will be used towards economic stabilization, infrastructure and various other programs approved by the City Commission.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of North Miami Beach's finances for all those with an interest in the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Marcia Fennell  
Chief Financial Officer  
City of North Miami Beach  
17011 NE 19<sup>th</sup> Avenue  
North Miami Beach, Florida 33162**