

Date: November 24, 2015

To: The Honorable Mayor and City Council

From: Terry Henley, Assistant Budget Director



Re: Discussion of Fund Reserve and SoleMia Expected Revenues and Planned Expenditures

RECOMMENDATION

Staff is recommending the Mayor and Council discuss and direct staff to propose a resolution to amend the FY15-16 Budget by \$4,400,000 to include additional revenue generated from SoleMia and subsequent expenditures to be directed to the city's reserve (\$1,400,000), city-wide capital projects (\$900,000), Cagni Park Improvements (\$1,700,000), and Rucks Park Improvements (\$400,000). The resolution would also require the city to build and maintain a reserve fund of \$9,500,000. The multi-year funding strategy, proposed below, also illustrates how future revenue from FY17 and beyond will be directed to capital projects and the reserve fund.

SoleMia Revenue (\$Millions) Projected											
	FY16 Prior SoleMia	FY16 With SoleMia	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Signing Agreement	0.0	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4
Annual Lease	1.8	0.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	16.2
Total	1.8	4.4	1.8	20.6							

SoleMia Expenditures (\$Millions) Planned											
	FY16 Prior SoleMia	FY16 With SoleMia	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Cagni Park	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Rucks Park	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Funds to Reserve	0.0	1.4	1.0	1.0	1.0	0.1	0.1	0.1	0.1	0.1	4.9
Capital Projects	1.8	0.9	0.8	0.8	0.8	1.7	1.7	1.7	1.7	1.7	13.6
Total	1.8	4.4	1.8	20.6							

Reserve (\$9.5 Million Goal)											
	FY16 Prior SoleMia	FY16 With SoleMia	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Balance											
Funds to Reserve	0.0	1.4	1.0	1.0	1.0	0.1	0.1	0.1	0.1	0.1	4.9
Total Reserve	5.0	6.4	7.4	8.4	9.4	9.5	9.6	9.7	9.8	9.9	9.9

BACKGROUND

The City of North Miami has a fund reserve per resolution or “emergency” fund of \$5,000,000. It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Building a robust reserve and having no debt will also improve the City’s financial outlook and appeal to investors, as North Miami will be in a prime position to take advantage of low interest bonds to do major capital projects.

The Government Finance Officers Association (GFOA) recommends governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for budgetary purposes. The GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Applying the recommended minimum to the city’s FY2016 adopted budget total of \$57,390,109, would require the city to secure approximately \$9,500,000 in its reserve fund. By implementing the above funding strategy, the city would fund \$4,500,000 over the next several years to reach \$9,500,000 target, which is 19% of the general fund, by fiscal year 2020. Subsequent years will redirect only \$100,000 to the reserve. By FY2024, the city will have \$9,900,000, which is an adequate reserve.

Attachment

None.