



POPULAR ANNUAL FINANCIAL REPORT

City of Miami, Florida

FISCAL YEAR ENDED
September 30, 2018



Prepared By:
The Finance Department

Erica T. Paschal, CPA
Director

Munirah Daniel, CPA
Assistant Director

Eugene Codner
Controller

Noel Ramos
Finance Manager



POPULAR ANNUAL FINANCIAL REPORT

City of Miami, Florida

FISCAL YEAR ENDED
September 30, 2018



TABLE OF CONTENTS

INTRODUCTION

About our City	1
Principal City Officials	2
City Organizational Chart	3
Geographic Location and Population	4
Miami by the Numbers	5
Economic Outlook	6
Achievements	7
Budget Process	8

FINANCIAL INFORMATION

Financial Highlights	9
Net Position	10
Expenses	11
Revenues	12
Capital Assets	13
Long-Term Obligations	14
Cash and Investments	16
Fund Balance	17



ABOUT THE POPULAR ANNUAL FINANCIAL REPORT (PAFR)

The Popular Annual Financial Report (PAFR) is an unaudited summary report of the financial activities of the City, and is prepared primarily from detailed information contained in the City's 2018 Comprehensive Annual Financial Report (CAFR), with selected information from CAFR's prepared for earlier years.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of all material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and information on individual funds.

The information in the CAFR by its nature can be technical and complex and as such not as useful to citizens wishing to gain an overview of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report or requests for additional financial information may be directed to the City's Finance Department via mail to 444 SW 2nd Avenue, 6th Floor, Miami, Florida 33130.

COVER PHOTO

Aerial view of Downtown Miami

PHOTO BY:
Sean Pavone

The Finance Department would like to extend a special recognition to Richard Rios, GSA-Graphics Reproduction Division, for his creativity and support with the production of the Popular Annual Financial Report

City of Miami, Florida Finance Department
444 SW 2 Avenue, 6th Floor, Miami, Florida 33130

TO VIEW BOTH THE CITY'S FULL COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND POPULAR ANNUAL FINANCIAL REPORT PLEASE VISIT:

<http://www.miamigov.com/Finance/pages/FinancialInfo/financialInfo.asp>

ABOUT OUR CITY



The City of Miami was incorporated in 1896. The City is situated at the mouth of the Miami River on the western shores of Biscayne Bay. It is a main port of entry into Florida. Now 122 years old, the City is part of the nation's eighth largest metropolitan area. Incorporated in 1896, the City is the only municipality conceived and founded by a woman - Julia Tuttle.

The City Charter was adopted by the electors of the City of Miami at an election held May 17, 1921 and legalized and validated by Chapter 9024 of the laws of the State of Florida of 1921. The Florida Legislature, in 1955, approved and submitted to a general election, a constitutional amendment designed to give a new form of government to Miami-Dade County, Florida ("County"). The County is, in effect, a municipality with governmental powers affecting thirty-five cities and unincorporated areas, including the City. The County has not displaced nor replaced the cities' powers, but supplements them. The County can take over particular activities of the City's operations if the services fall below minimum standards set by the County Commission, or with the consent of the governing body of the City. Accordingly, the County's financial statements are not included in this report.

Since 1997, the City has been governed by a form of government known as the "Mayor-City Commissioner plan." There are five Commissioners elected from designated districts within the City. City elections are held in November every two years on a non-partisan basis. Candidates for Mayor must run as such, and not for the Commission in general. At each election, two or three members of the Commission are elected for four-year terms. Thus, the terms are staggered so that there are always at least two experienced members of the Commission. The Mayor is elected at large every four years.

As official head of the City, the Mayor has veto authority over actions of the Commission. The Mayor appoints the City Manager who functions as chief administrative officer. The City Manager serves as the administrative head of the municipal government, charged with the responsibility of managing the City's financial operations and organizing and directing the administrative infrastructure. The City Manager also retains full authority in the appointment and supervision of department directors, preparation of the City's annual budget and initiation of the investigative procedures. In addition, the City Manager takes appropriate action on all administrative matters.

CITY SERVICES

The City provides a full range of services, including police and fire protection, public works activities, refuse collection, building inspections, licenses and permits, vital statistics, the construction and maintenance of streets, and other infrastructures, recreational and cultural activities, and most recently trolley services.



CITY OF MIAMI, FLORIDA



CITY OF MIAMI

MISSION STATEMENT

To effectively serve the community and continuously enhance quality of life.

VISION

The City's leadership envisions Miami as:

- An internationally-renowned city with a commitment to public engagement and excellent service delivery;
- A diverse and vibrant community with a high quality of life;
- And a global destination for business, culture , and leisure.



Francis X. Suarez
Mayor



Wifredo "Willy" Gort
Commissioner - District 1
Vice-Chairman



Ken Russell
Commissioner - District 2
Chairman



Joe Carollo
Commissioner - District 3



Manolo Reyes
Commissioner - District 4



Keon Hardemon
Commissioner - District 5



Emilio T. González
City Manager



Todd B. Hannon
City Clerk



Victoria Méndez
City Attorney

CITY ORGANIZATIONAL CHART



CITY COMMISSION

Chairman: Ken Russell
District 2

Vice-Chairman: Wifredo "Willy" Gort
District 1

Commissioner: Joe Carollo
District 3

Commissioner: Manolo Reyes
District 4

Commissioner: Keon Hardemon
District 5

City Attorney
Victoria Méndez

City Clerk
Todd B. Hannon

Independent Auditor General
Theodore Guba, CPA

Francis X. Suarez
Executive Mayor

Emilio T. González, Ph.D.
Chief Administrator / City Manager

Deputy City Manager
Joseph F. Napoli

**Assistant City Manager
Chief of Operations**
Fernando Casamayor

**Assistant City Manager
Chief Financial Officer**
Sandra Bridgeman, CPA

**Assistant City Manager
Chief of Infrastructure**
Nzeribe Ihekwaba, Ph.D., PE

Code Compliance

Human Services

Innovation and
Technology

Neighborhood
Enhancement Team

Real Estate and Asset
Management

Solid Waste

Finance

General Services
Administration

Grants Administration

Housing and Community
Development

Management and Budget

Procurement

Risk Management

Building

Capital Improvements

Parks and Recreation

Planning

Resilience and
Public Works

Resilience and
Sustainability

Zoning

Agenda
Coordination

Communications

Equal Opportunity
and Diversity
Programs

Fire-Rescue

Human Resources

Police

Coconut Grove BID

Downtown
Development
Authority

Liberty City Trust

Wynwood BID

Fire Fighters' and Police
Officers' Retirement Trust

General Employees' and
Sanitation Employees'
Retirement Trust

Midtown CRA

Omni CRA

Southeast Overtown
Park West CRA

Bayfront Park
Management Trust

Civilian
Investigative Panel

Miami Parking
Authority

Virginia Key Beach
Park Trust

Civil Service

GEOGRAPHIC LOCATION AND POPULATION



According to the U.S. Census Bureau, the City's population in 1900 was 1,700 people. Today it is a city rich in cultural and ethnic diversity of approximately 481,333 residents according to the Bureau of Economic and Business research, University of Florida, 57.7 percent of them foreign born. In physical size, the City is not large, encompassing only 35.87 square miles. In population, the City is the largest of the 35 municipalities that make up Miami-Dade County.

COMMISSION DISTRICTS



DISTRICT 1:
Vice-Chairman
Wifredo "Willy" Gort



DISTRICT 2:
Chairman
Ken Russell



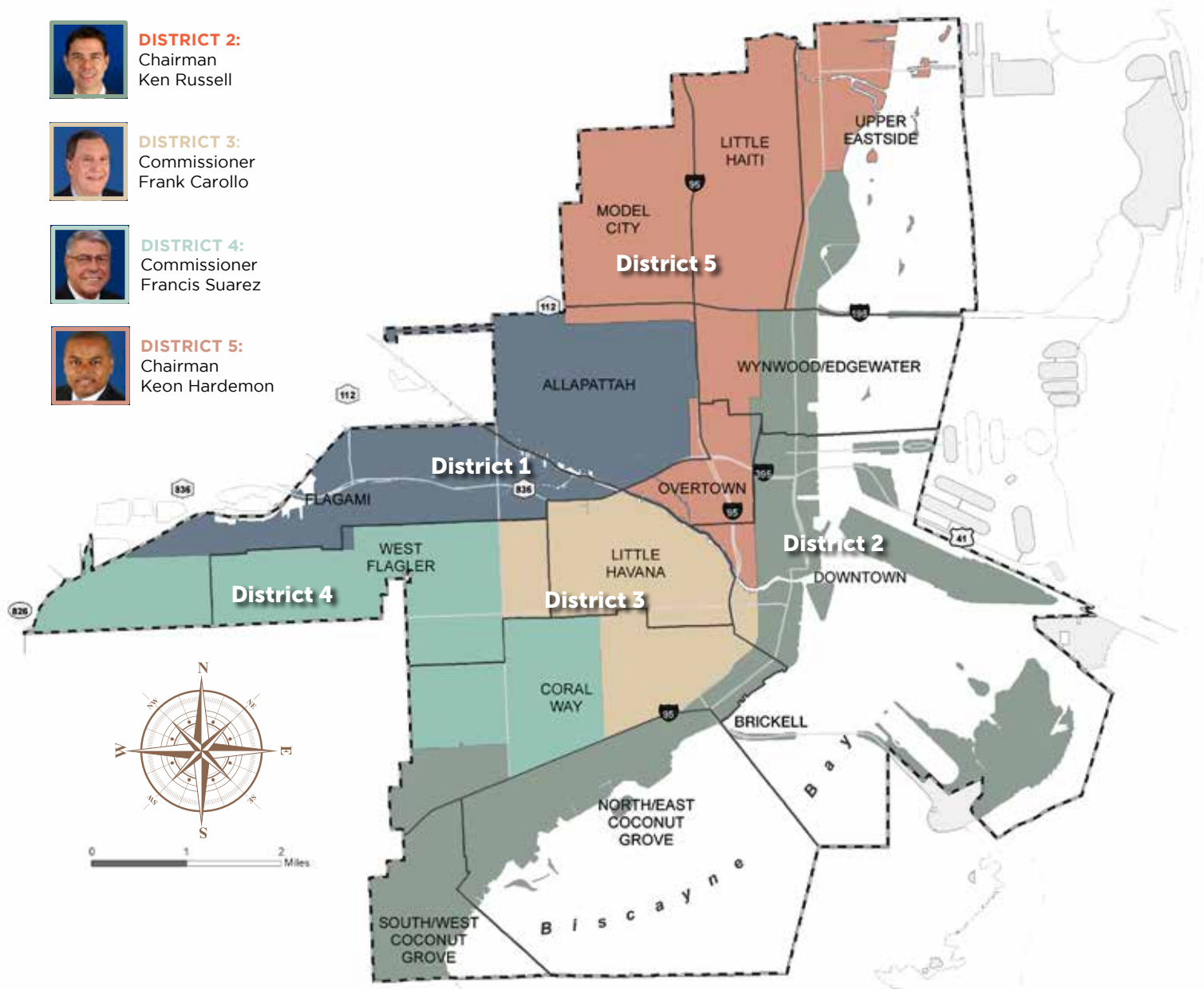
DISTRICT 3:
Commissioner
Frank Carollo



DISTRICT 4:
Commissioner
Francis Suarez



DISTRICT 5:
Chairman
Keon Hardemon



MIAMI BY THE NUMBERS



ECONOMIC OUTLOOK



With one of the tallest skylines in the United States, the City of Miami is the heart of South Florida and is a global leader in terms of multicultural growth and business development. It is the most populous city in the Miami metropolitan area and is ranked 9th in the U.S. for business activity, human capital, information exchanges, cultural experience and political engagement. With the tropical climate and its close vicinity to PortMiami and Miami International Airport, tourism is a major component of the city's economy. Furthermore, Miami is home to one of the largest concentrations of international banks, with a majority of the banks being in the Miami Brickell area.

Local unemployment continues a steady decline from the previous year with Miami reporting a 3.3 percent unemployment rate as of September 2018, which is a decrease from 4.6 percent reported a year ago. A good business climate has been created for the South Florida economy, encouraging growth in construction, motion pictures, financial services, and tourism. With growth in these sectors of the South Florida economy, employment should strengthen, as all indicators point towards steady improvement in the local economy.

The City's housing prices continued its upward trend in 2018. The median sales price for single-family homes in Miami increased 7.5 percent in September 2018 to \$360,000. Condominiums median sales price increased 1.3 percent to \$237,000 from \$234,500 in September 2018. Overall, the number of single-family home sales in Miami Dade County increased 43 percent compared with September 2017 and condo sales also increased 29.5 percent year-over-year, according to a monthly report released by the Miami Association of Realtors. Miami has experienced nearly seven consecutive years of price appreciation. Low mortgage rates continue to make purchasing a home more affordable.

Moody's Investors Service upgraded the City's general obligation limited tax rating from A1 to A2 in March 2018 due to its strong financial position. Moody's noted that the outlook reflects the likelihood that the City's credit profile will remain stable over the next several years, because of the base growth, satisfactory reserve and cash balances which will keep pace with budget growth and the maintenance of manageable debt burden despite plans for additional borrowing.



ACHIEVEMENTS



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Miami
Florida**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill
Executive Director/CEO

The Government Finance Officers Association of The United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Miami, Florida for its Popular Annual Financial Report for the fiscal year ended September 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in GFOA is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City of Miami, Florida was also awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its Comprehensive Annual Financial Report for year ended September 30, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is also valid for a period of one year. We believe our comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we have also submitted our Comprehensive Annual Financial Report for the current year to the GFOA.



BUDET PROCESS



1

END OF FEBRUARY

Department Budget Submittals

2

MARCH

Mayor delivers "State of the City" address to City residents

3

APRIL THROUGH MAY

Budget workshops are conducted with the department and budget analysts. Public Hearings are held for citizen's comments.

4

JULY

Proposed Budget is finalized and introduction of Budget Ordinance to the City Commission. Commission also votes on the proposed millage rate.

5

SEPTEMBER

Review of Budget Ordinance and Public Hearings with City Manager and department directors

6

LATE SEPTEMBER

Adoption of Budget Ordinance

The annual budget serves as the foundation for the City's financial planning and control. The City's fiscal year is from October 1st to September 30th. The Mayor is required to prepare and deliver a budgetary address annually to the residents of the City.

The City Commission is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30th preceding the beginning of the fiscal year on October 1st.

Budgets are monitored at varying levels of classification detail that include both personnel and operating as appropriation designations; however, budgetary control is legally maintained at the fund level, except for the general fund, which is maintained at the departmental operating level.



FINANCIAL HIGHLIGHTS



The information provided is summarized and represents only selected funds and therefore is not in accordance with generally accepted accounting principles (GAAP) and is not intended to represent all of the City's component units. The following table is a summary of select financial data for the past two fiscal years:

FINANCIAL SUMMARY

GOVERNMENTAL ACTIVITIES

NET POSITIONS	2018	2017
Assets	\$ 1,870,705,069	\$ 1,833,864,811
Deferred Outflows	222,220,447	111,190,591
Liabilities	2,586,037,397	2,417,502,315
Deferred Inflows	136,356,671	33,279,788
Total Net Position (Deficit)	(629,468,552)	(505,726,701)
REVENUES		
Governmental Activities	952,286,082	874,349,572
Total Revenues	952,286,082	874,349,572
EXPENSES		
Governmental Activities	902,954,420	1,045,597,286
Total Expenditures	902,954,420	1,045,597,286
CAPITAL ASSETS		
Governmental Activities	1,113,240,897	1,129,305,020
Total Capital Assets	1,113,240,897	1,129,305,020
LONG-TERM OBLIGATIONS		
Governmental Activities	665,713,092	660,861,380
Total Long-Term Obligations	\$ 665,713,092	\$ 660,861,380

Governmental activities of the City – general government, planning, and development, community development, community redevelopment areas, public works, public safety, public facilities, parks and recreation, interest on long-term debt.

THE CITY'S NET POSITION



The Government-wide Balance Sheet, known as the Statement of Net Position, presents information on all City's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position serve as an indicator of the City's financial position and of the results of the City's operations.

The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the 2018 fiscal year by approximately \$629.5 million (net position deficit).

City's net position reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery and equipment); net of accumulated depreciation, less any related debt used to construct or acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are typically not used to liquidate these liabilities. As of September 30, 2018, the City's net investment in capital assets was approximately \$578.09 million.

An additional portion of the City's net position represents resources that are subject to restrictions on how they may be used. As of September 30, 2018, the City's portion of restricted net position was approximately \$358.4 million.

The remaining portion represents an unrestricted net deficit of approximately \$1.6 billion, which is primarily due to outstanding borrowings for which there are no off-setting assets, along with an increase in claims payable, net pension liability, and other post-employment benefits (OPEB) liability. At the end of the current fiscal year, the City's overall net position decreased by approximately \$123.7 million compared to the prior fiscal year.

STATEMENT OF NET POSITION GOVERNMENT ACTIVITIES

ASSETS	2018	2017	CHANGE (\$)	CHANGE (%)
Current and Other Assets	\$ 757,464,172	\$ 704,559,791	\$ 52,904,381	7.51%
Capital Assets	1,113,240,897	1,129,305,020	(16,064,123)	-1.42%
Total Assets	1,870,705,069	1,833,864,811	36,840,258	2.01%
DEFERRED OUTFLOWS OF RESOURCES	222,220,447	111,190,591	111,029,856	99.86%
LIABILITIES				
Other Liabilities	240,309,985	215,550,534	24,759,451	11.49%
Long-Term Liabilities	2,345,727,412	2,201,951,781	143,775,631	6.53%
Total Liabilities	2,586,037,397	2,417,502,315	168,535,082	6.97%
DEFERRED INFLOWS OF RESOURCES	136,356,671	33,279,788	103,076,883	309.73%
NET POSITION (Deficit)				
Net Investment in Capital Assets	578,092,580	627,800,618	(49,708,038)	-7.92%
Restricted	358,414,955	297,600,108	60,814,847	20.44%
Unrestricted (Deficit)	(1,565,976,087)	(1,431,127,427)	(134,848,600)	9.42%
Total Net Position (Deficit)	\$(629,468,552)	\$(505,726,701)	\$(123,741,851)	24.47%

GOVERNMENT FUND EXPENSES



WHERE DOES THE MONEY GO?

During fiscal year 2018, expenses for governmental activities decreased by \$142.6 million primarily due to Public Safety expenses decreased by \$191.7 million or 33.09 percent during the current fiscal year. These decreases are due to the implementation of GASB Statement No. 75 which required the City to restate the net position and to report a total OPEB liability and related deferred outflows of resources for OPEB plan.

The City's interest expense also decreased by \$4.2 million when compared to last fiscal year due to defeasance of certain debt involving advance refunding.

Planning and Development, Public Works, and Public Facilities expenses increased by \$3.3 million, \$27.9 million, and \$3.3 million, respectively. The increase in Planning and Development expenses is mainly attributed to renovation of the Building Department at the Miami Riverside Center. The increase in expenses for Public Works is mainly due to Hurricane Irma debris removal. The increase in Public Facilities expenses is mainly attributed to a reconciliation settlement agreement with Hyatt Regency.

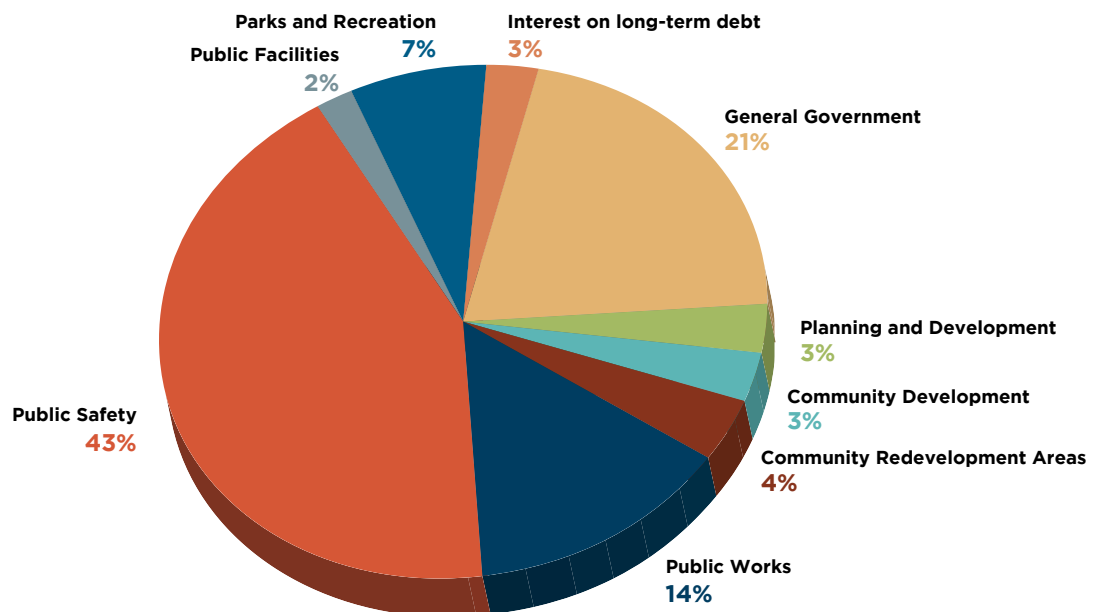
The following schedule reflects a summary of expenses compared to the prior year:

TOTAL EXPENSES

GOVERNMENTAL ACTIVITIES

EXPENSES	2018	2017	2016
General Government	\$ 190,825,241	\$ 174,982,174	\$ 158,677,568
Planning and Development	22,721,335	19,462,678	15,513,166
Community Development	28,371,102	29,443,452	27,937,279
Community Redevelopment Areas	35,272,784	34,616,272	36,149,769
Public Works	123,517,711	95,595,175	78,763,459
Public Safety	387,651,947	579,366,645	446,865,144
Public Facilities	22,371,164	19,086,773	16,758,483
Parks and Recreation	66,817,655	63,380,710	50,207,864
Interest on long-term debt	25,405,481	29,663,407	32,606,891
Total Expenses	\$ 902,954,420	\$ 1,045,597,286	\$ 863,479,623

The pie chart below shows the City's expenses during Fiscal Year 2018:



GOVERNMENT FUND REVENUES



WHERE DOES THE MONEY COME FROM?

During fiscal year 2018, total Program revenues for governmental activities increased \$77.9 million over the prior year for governmental activities. Specifically, the charges for services and property taxes increased over the prior year by \$11.4 million and \$33.8 million respectively. The charges for services and property tax increases reflect the economic recovery in the City. Strong growth in the construction industry resulted in increased permit fees and assessments, which are included in charges for services. Property taxes increased 9.3 percent which is primarily attributed to an increase in property values.

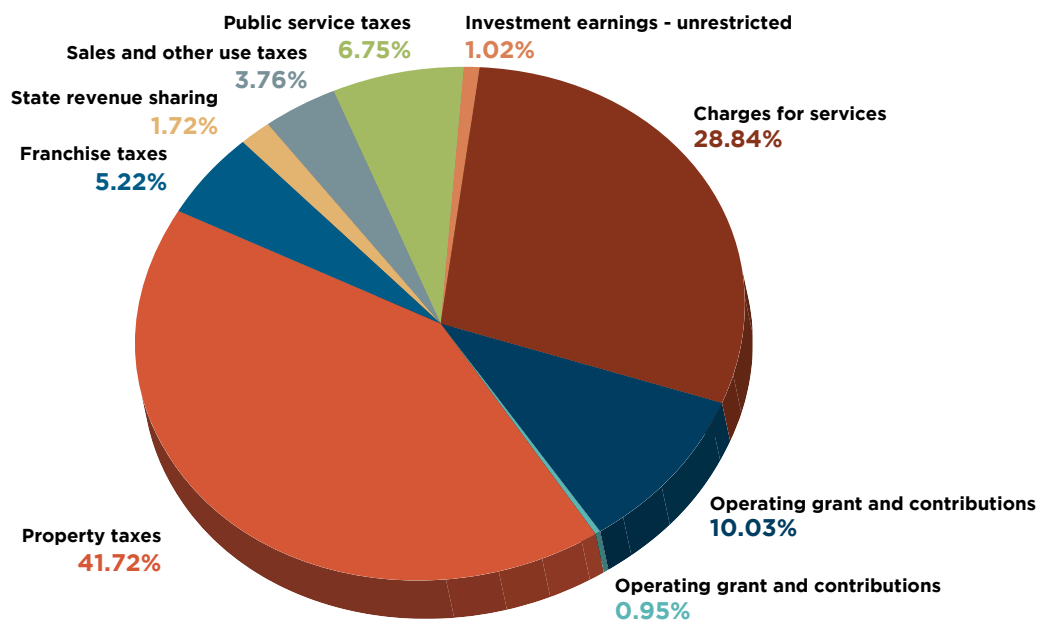
The following schedule reflects a summary of revenue compared to the prior year:

TOTAL REVENUES

GOVERNMENTAL ACTIVITIES

PROGRAM REVENUES	2018	2017	2016
Charges for Services	\$ 274,602,207	\$ 263,222,830	\$ 257,840,317
Operating Grants and Contributions	95,524,077	81,114,292	88,478,479
Capital Grants and Contributions	9,069,762	1,078,796	11,315,519
GENERAL REVENUE			
Property Taxes	397,247,874	363,439,702	324,381,187
Franchise Taxes	49,741,913	49,207,879	47,416,360
State Revenue Sharing - Unrestricted	16,380,921	15,687,260	14,836,385
Sales and Other Use Taxes	35,786,997	33,521,269	32,699,735
Public Service Taxes	64,250,989	62,532,940	60,020,384
Gain (loss) Sale of Property	-	-	-
Investment earnings/(losses) - unrestricted	9,681,342	4,544,604	3,500,158
Total Revenues	\$ 952,286,082	\$ 874,349,572	\$ 840,488,524

The pie chart below shows the City's revenues by source during Fiscal Year 2018:



SUMMARY OF CAPITAL ASSETS



INVESTING IN OUR COMMUNITY

The City's investment in capital assets as of September 30, 2018, is \$1.1 billion. This investment in capital assets includes land, buildings, improvements, machinery, equipment and infrastructure. The total decrease in capital assets from the end of the prior fiscal year is approximately 1 percent.

Major capital asset events during the current fiscal year included the following:

- Land increased approximately \$7.9 million. The increase is attributed to the City acquiring four properties valued at \$2.1 and CRA Omni acquiring 3 properties valued at \$5.8 million during fiscal year 2018.
- Construction in progress increased approximately \$20.2 million. The total transfers out of construction in progress amounted to approximately \$28.1 million; however, there was an addition of approximately \$48.3 million in new expenditures during fiscal year 2018.
- Buildings decreased by approximately \$4.3 million. The decrease is in large part attributed to \$4.0 million in completed Construction in progress projects and building acquisitions which include a new structure at Antonio Maceo Park offset by \$8.3 million in depreciation expenses.
- Improvements decreased by approximately \$13.6 million. The projects completed during the fiscal year and transferred from construction in progress, included \$3.2 million in building improvements and \$4.1 million in land improvements. There was also an addition of \$852 thousand in improvements for City parks and Public Facilities. These transfers and additions are offset by depreciation expense and retirements incurred for the current fiscal year which net to \$21.7 million.
- Infrastructure decreased by approximately \$25.4 million. There was \$9.2 million in transfers primarily attributed to roadway improvements. These transfers were offset by \$34.6 million in depreciation expense for the current fiscal year.

CAPITAL ASSETS (NET OF DEPRECIATION)

GOVERNMENTAL ACTIVITIES

	2018	2017
Land	\$ 111,388,474	\$ 103,511,914
Construction-in-Progress	104,174,459	83,996,468
Buildings	216,395,682	220,697,166
Improvements	92,994,564	106,568,892
Machinery and Equipment	70,659,296	71,495,826
Infrastructure	517,628,422	543,034,754
Total Capital Assets	\$ 1,113,240,897	\$ 1,129,305,020

LONG-TERM OBLIGATIONS



As of September 30, 2018, the City's long-term obligations totaled \$2.4 billion. Of this amount, \$121 million is due within one year. The long-term obligations for the City include claims payable, debt, compensated absences, net pension liability, and other post-employment benefit obligations.

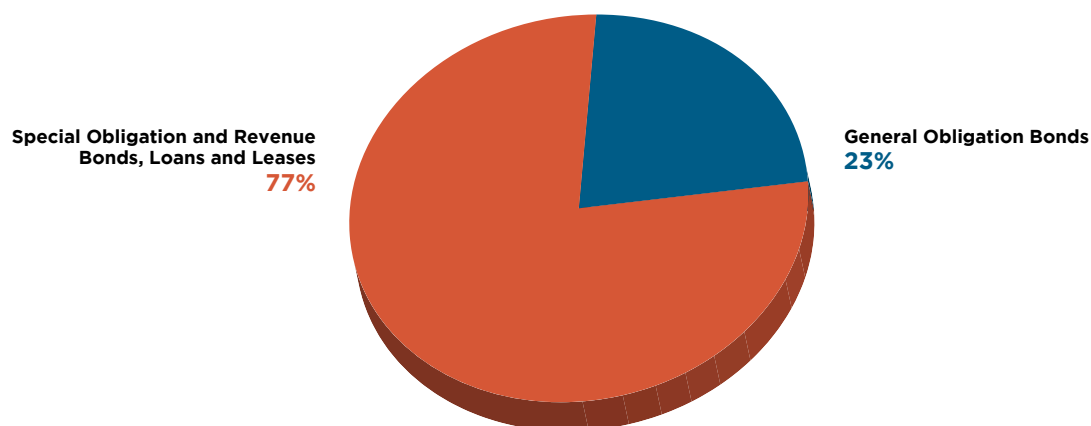
Claims payable balance of \$281.4 million includes an accrual of \$1.6 million for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution, \$78.7 million for potential legal claims and \$193.1 million in connection with the City's self-insurance program.

GOVERNMENTAL ACTIVITIES

LONG-TERM OBLIGATIONS	Ending Balance as of September 30, 2018	Amount Due Within One Year
General Obligation Bonds	\$ 154,385,000	\$ 19,070,000
Special Obligation and Revenue Bonds, Loans and Leases	511,328,092	36,648,125
Total Debt Outstanding	665,713,092	55,718,125
Bond Premium (Discounts)	4,869,802	-
Compensated Absences	57,608,278	10,845,920
Claims Payable	281,366,573	54,985,263
Other Post Employment Benefits	596,966,515	-
Net Pension Liability	860,752,460	-
Total Long-Term Obligations	\$ 2,467,276,720	\$ 121,549,308

The City had a total debt outstanding of \$665.7 million as of September 30, 2018. Of this amount, \$154.4 million is backed by Limited Ad Valorem Tax Revenue; the remainder represents Special Obligation, Revenue bonds, loans and leases which are secured solely by Non-Ad Valorem Revenue sources.

LONG TERM DEBT



LONG-TERM OBLIGATIONS



During Fiscal Year 2018 the City issued \$59.3 million in Special Obligation Non-Ad Valorem Bonds Series 2017, 16.6 Taxable Obligation Parking Revenue Note Series 2018 and \$7.2 Special Obligation Non-Ad Valorem Revenue Refunding Bonds Taxable Pension Series 2017.

In addition the City obtained an \$11.2 million Lease from Santander Bank, N.A. to replace police fleet vehicles and a \$373.9 thousand Lease from Dell Financial Services to purchase technology equipment. The City also received proceeds in the amount of \$2.3 and accrued for \$6 million with respect to the State Revolving Loan Wagner Creek which was adopted by City Resolution #15-304 in July 2015. Notes for \$15 Million and \$10 Million were issued for CRA OMNI Taxable Series 2018B and Tax-Exempt Series 2018A respectively.

CREDIT RATINGS

There are three major rating agencies that evaluate thousands of issuers and their municipal bonds. The agencies are, Moody's, Standard and Poor's (S&P), and Fitch. The ratings agencies assign ratings such as AAA and other ratings. The objective of the rating agency is to assign a municipal bond a credit rating to make it faster for market participants to evaluate risk. A bond's credit rating is the rating agency's opinion as to the creditworthiness of the bond's issuer. Each rating agency produces a ratings scale. The table below shows City's latest rating as determined by the three national rating agencies, Moody's, Standard & Poor's, and the Fitch Ratings' as of September 30, 2018:

City of Miami Bond Ratings

ISSUE	MOODY'S	STANDARD & POOR'S	FitchRatings
Limited General Obligation	Aa2	AA-	A-
Marlins Garage	Aa3	AA-	A+
Special Obligation (NAV)	Aa3	AA-	A+
Street and Sidewalks	A2	A	AA-



BOND CREDIT RATING

In investment, the bond credit rating represents the credit worthiness of corporate or government bonds. It is not the same as individual's credit score. The ratings are published by credit rating agencies and used by investment professionals to assess the likelihood the debt will be repaid. Credit rating is a highly concentrated industry with the two largest rating agencies — Moody's Investors Service, Standard & Poor's — having roughly 80% market share globally, and the "Big Three" credit rating agencies — Moody's, S&P and Fitch Ratings — controlling approximately 95% of the ratings business."

Moody's		S&P		Fitch		Rating description			
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term				
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade		
Aa1		AA+		AA+		High grade			
Aa2		AA		AA		Upper medium grade			
Aa3		AA-		AA-		Lower medium grade			
A1	P-2	A+	A-2	A+	F2	Upper medium grade		Investment-grade	
A2		A		A					
A3		A-		A-					
Baa1	P-3	BBB+	A-3	BBB+	F3	Lower medium grade			Investment-grade
Baa2		BBB		BBB					
Baa3		BBB-		BBB-					
Ba1		BB+	B	BB+	B	Non-investment grade speculative	Investment-grade		
Ba2		BB		BB					
Ba3		BB-		BB-					
B1		B+		B+					
B2		B		B					
B3		B-		B-					
						Highly speculative			

CASH AND INVESTMENTS



TYPES OF RISK

Interest Rate Risk - the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates

Credit Rate Risk - the risk that the City will not recover its investments due to the inability of the issuer to fulfill its obligation

Custodial Credit Risk - the risk that, in the event of failure of the issuer, the City will not be able to recover the value of its deposits, investments, or collateral securities that are in possession an outside party.

WAYS THE CITY MITIGATES RISK

Interest Rate Risk - to limit its exposure to fair value losses arising from rising interest rates, the City's Investment Policy limits the maturity of an investment to a maximum of five years.

Credit Rate Risk - in order to prevent over concentration by investment type, the City's Investment Policy provides for diversification of its portfolio which establishes limitations on portfolio composition by investment type and by issuer.

Custodial Credit Risk - the City's Investment Policy requires that all securities be registered in the name of the City and be held with a third party custodian. The policy also requires all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City.

As of September 30, 2017, pooled cash, cash equivalents and investments including restricted amounts of the primary government, exclusive of the Pension Trust Funds and discrete component units balances, consisted of the following:

Investment Type	Balance	Standard & Poor's Rating	Moody's Rating
United States Treasury Notes	\$ 168,093,083	N/A	N/A
Federal Home Loan Mortgage Corp.	22,286,455	AA+	Aaa
Federal Home Loan Bank	87,708,060	AA+	Aaa
Corporate Notes	45,597,823	A-	A3
Commercial Paper	86,827,913	A-1	P-1
Supranational Notes	18,489,562	AAA	Aaa
Money Market Fund	7,236,034	AAAm	Aaa-mf
Total Investments	436,238,930		
Bank Deposits	236,335,848		
Total Pooled Cash, Cash Equivalents and Investments	\$ 672,574,778		

FUND BALANCE



The following is a description of the City's fund balance classifications:

Non Spendable Fund Balance – This amount includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of this would be inventory, prepaid assets, and permanent endowments.

Restricted Fund Balance – This amount includes amounts that are restricted to specific purposes stipulated by (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation

Committed Fund Balance – This amount includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City's highest level of decision making authority, which is the City Commission. Once adopted by resolution, a resolution can only be revised or removed by adoption of a new resolution.

Assigned Fund Balance – This amount includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made directly by formal action of the City Commission

Unassigned Fund Balance – This amount is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. An assigned fund balance cannot result in an unassigned fund balance deficit.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the City's total General Fund balance was \$187.46 million. Of this amount, the City has approximately \$123.05 million retained as designated fund balance, which includes \$82.88 million as restricted, approximately \$2.15 million is recorded as non-spendable for prepaid expenses, approximately \$38.02 million is designated as assigned fund balance, and approximately \$64.4 million is unassigned fund balance in accordance with the City's Financial Integrity Ordinance.

The General Fund's fund balance had a net increase of approximately \$27.32 million during the current fiscal year. Although revenues saw an increase of \$44.79 million, expenditures also increased by \$27.68 million and transfers in decreased by \$5.90 million. Significant revenue increases included property taxes (9.3 percent) and intergovernmental revenues (4.53 percent). These revenue increases reflect an improvement in the local economy which appears to have now fully recovered. Investment earnings also increased significantly (113.03 percent) reflecting an improvement in market conditions and higher federal interest rates. Expenditure increases are seen in the general fund functions, General Government, Planning and Development, Public Works, and Public Safety. In each of these areas the increased expenditures are primarily attributed to increases in retirement contributions and payroll related expenditures.

FUND BALANCE - GENERAL FUND

	2018	2017
Non Spendable	\$ 2,154,528	\$ 2,101,634
Restricted	82,882,117	72,818,263
Committed	-	-
Assigned	38,015,621	25,386,647
Unassigned	64,411,285	59,836,874
Total Fund Balances	\$ 187,463,551	\$ 160,143,418

CONTACT INFORMATION

City General Services Administration	(305) 329-4870
City Manager's Office	(305) 250-5400
City Mayor Office	(305) 250-5300
City of Miami Auto Pound	(305) 579-6585
Code Enforcement	(305) 416-2087
Community and Economic Development	(305) 416-2080
Employment Office	(305) 416-2170
Finance	(305) 416-1570
Fraud Hot Line	(305) 416-2003
Loan Servicing	(305) 416 1975
Occupational Licenses	(305) 416-1918
Division of Emergency Management	(305) 468-5900
Office of Management and Budget	(305) 416-1502
Public Facilities	(305) 416-1450
Sanitation Code Enforcement	(305) 960-2830
Building Inspections and Permits	(305) 416-1100



POPULAR ANNUAL FINANCIAL REPORT

City of Miami, Florida

FISCAL YEAR ENDED
September 30, 2018