As previously reported, in the absence of the 2014/15 external audit and reconciled financial accounts, the following financial data reflects our best judgement and as such are believed to be reasonably accurate but may be subject to change.

Recognizing that the Opa-locka City Commission will be considering and adopting the City’s 2016/17 annual budget this coming Tuesday evening, I have prepared the attached summary of Opa-locka debt, including specific budgetary allocations and budgetary omissions relating to that debt in the recommended budget. For many valid reasons the City’s debt and this analysis should be thoroughly discussed and understood by the City Commission before the final recommended 2016/17 Budget is discussed and adopted by the City Commission.

UNRESOLVED FINANCIAL ISSUES: There are, however, two overarching issues of critical importance that will not be decided before the recommended budget is officially adopted, as required by State Law. **Those issues are: Issue 1.** The need to negotiate a multiyear repayment plan and agreement with Miami-Dade County (to be approved by both the County and City Commissions) for approximately $5.5 million dollars in EXISTING Opa-locka General Fund and Utility Debt owed to Miami-Dade County. In addition, there is the almost guaranteed probability of additional debt being accumulated by the City during
the forthcoming 2016/17 fiscal year. It should be clearly understood that NO MONIES have been budgeted for EITHER the existing debt repayment or the accumulation of additional debt during the 2016/17 fiscal year.

**Issue 2.** The need to negotiate a Bridge Loan, if possible, with Miami-Dade County to be repaid during the next fiscal year; the amount of which, and the terms of that debt have yet to be determined. A preliminary meeting to discuss these issues has been scheduled with the City Manager, the Deputy Mayor, other City and County staff, at which, I will also attend.

**PROPOSED OPA-LOCKA BUDGET:** Basically, there are two major financial components in the proposed budget: The first is the City’s General Fund, which is supported principally by property taxes; and the second is the Utility Fund, which includes Water and Sewers, Solid Waste, and Storm-Water, which are supported by Utility revenue. The City of Opa-locka’s debt is divided into the same two funds, which are reflected on the detailed attachment to this report.

**GENERAL FUND:** The total amount of General Fund debt owed by the City in the 2016/17 fiscal year is $6,309,103. The recommended budget provides $2,295,103 to be paid towards that debt, leaving $4,014,000 unpaid. The most pressing General Fund debt is $2,467,000 in unpaid vendor debt being carried over from the 2015/16 preceding fiscal year. That is the remainder from a total General Fund vendor debt of $3,500,000 after the budgeted payment of $1,033,000 is deducted.

The City owes a minimum of $700,000 to the Surtax CITT fund while another $1,000,000 in questionable Surtax expenses has been suggested by the Director of the County’s Internal Audit Department, and is NOT shown in the attachment to this report, nor is there a reserve for that contingency in the proposed budget. This potential liability requires further study.

General Fund bond payments of $1,162,103 are current and are included for payment in the 2016/17 Budget. The Opa-locka Historic City Hall project is more complicated with $636,000 in back payments and interest owed to the contractor. Because of the historic comingling of General Funds and Utility
Funds and the challenging financial condition of the City, at some point during the next fiscal year the City Commission will have to determine its priorities and capabilities for the Historic City Hall (a General Fund project), versus the Cairo Lane and Burlington Street Canal project, both of which are Water and Sewer Utility projects. The latter two are State Revolving Loan projects while the Historic City Hall project has four grants and some City matching fund requirements. The last General Fund debt is $211,000 owed to various Miami Dade County departments for which NO funds have been budgeted in 2016/17. Adding the known $700,000 in Surtax debt to the $211,000 means that $911,000 is owed to the County from the General Fund and is not funded in the proposed budget.

**UTILITY FUNDS:** The City of Opa-locka’s Utility Fund owes three County Departments a total of at least $4,551,551 on October 1st, 2016 with NO funds budgeted for repayment in the recommended 2016/17 Budget. When this debt is added to the General Fund debt (a minimum of $911,000) the City’s total debt owed to the County is $5,462,551 AT A MINIMUM. As previously stated, this debt will likely grow during the next 2016/17 fiscal year because of the exceptionally lean proposed budget and continuing use of County resources. In addition, we have recommended that $800,000 in Utility vendor payment debt accrued in the prior 2015/16 fiscal year be line itemed for payment in the adopted budget.

**WATER AND SEWER CUSTOMER DEPOSITS:** Unfortunately, because of the City’s continuing need to consume utility funds to subsidize unbudgeted general fund shortages, a decision was made during the 2014/15 Fiscal Year to transfer Opa-locka’s customer utility deposits, which amounted to $1,697,818 as of September 30, 2014 to the City’s General Fund, where they were quickly consumed. *(External Audit Report, 2013/14 Fiscal Year, p. 22)* Those deposits were not owned by the City, and should have been treated like a protected escrow deposit account. Today, only 1% or $16,000, remains in the customer deposit account for the City’s Water and Sewer Department. Clearly and
ethically, that Water and Sewer account should be replenished, however, it is questionable if there is enough liquidity within the City to accomplish that goal.

RECOMMENDATIONS:

1. The City Commission should direct the City Manager to begin restoring customer utility deposits as soon as possible to the maximum extent possible.

2. In the attached summary, we recommend that the Adopted 2016/17 Budget include line item budgeted utility payments amounting to a total of $1,641,122 for items 8 through 13, which includes 2015/16 vendor debt ($800,000), State Revolving Loan Fund payments, ($305,122 In the recommended budget), the Cairo Lane and Burlington Street Canal projects, Waste Water, and Waste and Drinking Water Planning Documents debt.

3. We also join the Emergency Management Board in recommending, in the strongest terms, that the City Commission adopt the millage rate (10 mills) recommended by the City Manager. Given the outstanding debts of the City and the residents’ need for City services, reducing the money available to meet those needs would be foolhardy. Unless the City shows that it is doing everything possible to address the real needs of the City, it will be much more difficult to negotiate with the County to help the City during this time of critical financial stress.

Respectfully………………Merrett R. Stierheim

See Attached Summary Schedule………………