

## **EXHIBIT A**

### **CITY OF MIAMI BEACH COMPREHENSIVE FINANCIAL POLICIES**

The City of Miami Beach acknowledges that a primary factor to the long-term sound financial management of its finances is the adoption of formal financial policies that govern the financial management and creditworthiness of the City. This view is supported by bond rating agencies, residents, and the Government Finance Officers Association (GFOA). The following Comprehensive Financial Policies are primarily intended to safeguard the financial resources of the City.

#### **General Fund Balance/Contingency Planning**

1. The City of Miami Beach shall maintain the General Fund Emergency Reserve at two (2) months of total expenditures of the General Fund Operating Budget of the ensuing fiscal year for use as defined below.
  - Prior to any expenditures from this reserve, the Mayor and City Commission must declare an emergency affecting life, health, property, or public safety and authorize said expenditures by a six-sevenths (6/7) vote. After any expenditure from said reserve, all reimbursements from State and Federal Agencies for emergency relief are to be redeposited into such reserve. Any amounts disbursed which are not recovered from governmental agencies shall be appropriated from Unassigned Fund Balances of the General Fund to restore the Emergency Reserve to its then established level.
  - If there is an insufficient Unassigned Fund Balance to restore said reserve to its then established level, the Administration is directed to restore the reserve to its appropriate level by transferring available General Fund revenues in excess of expenditures at fiscal year-end and/or with a partial replenishment to be spread over no more than four (4) budget years.
2. The City of Miami Beach shall have a goal to also maintain a General Fund Contingency Reserve equal to one (1) month of the General Fund Operating Budget that, in combination with the Emergency Reserve, represents three (3) months or twenty-five percent (25%) of the General Fund Operating Budget expenditures for the ensuing fiscal year.
  - Said Contingency Reserve shall be increased or decreased annually, based on the ensuing fiscal year's adopted budget, but shall be maintained at a minimum of one (1) month of the then existing General Fund Operating Budget.
  - If there is an insufficient Unassigned Fund Balance to restore said reserve to its then established level, the Administration is directed to restore the reserve to its appropriate level by transferring available General Fund revenues in excess of expenditures at fiscal year-end and/or with a partial replenishment to be spread over no more than four (4) budget years.

### **Resort Tax Fund Balance/Contingency Planning**

1. The City of Miami Beach shall maintain a minimum Resort Tax Emergency Reserve in the 2% Resort Tax Fund of two (2) months of total expenditures of the ensuing fiscal year for use as defined below.
  - Prior to any expenditures from this reserve, the Mayor and City Commission must declare an emergency affecting life, health, property, public safety, or a significant economic impact on resort tax collections, and authorize said expenditures by a five-sevenths (5/7) vote. The Administration is directed to restore the reserve to its appropriate level by transferring available 2% Resort Tax revenues in excess of expenditures at fiscal year-end and/or with a partial replenishment to be spread over no more than within four (4) budget years.
  - Said Emergency Reserve shall be increased or decreased annually, based on the ensuing fiscal year's adopted budget, but shall be maintained at a minimum amount of two (2) months of total revenue of the 2% Resort Tax of the then existing Resort Tax Fund Budget.
2. The City of Miami Beach shall have a goal to also maintain a Resort Tax Contingency Reserve equal to four (4) month of the Resort Tax Operating Budget that, in combination with the Resort Tax Emergency Reserve, represents six (6) months or fifty percent (50%) of the 2% Resort Tax Operating Budget expenditures for the ensuing fiscal year.
  - Said Resort Tax Contingency Reserve shall be increased or decreased, based on the ensuing fiscal year's adopted budget, annually but shall be maintained at a minimum amount of six (6) months of total revenue of the 2% Resort Tax of the then existing Resort Tax Fund Budget.

### **Other Fund Balance/Contingency Planning**

1. The City of Miami Beach shall have a goal to develop and maintain appropriate levels of operating and capital reserves in the applicable Enterprise, Internal Services, and Special Revenues Funds.
2. The City of Miami Beach shall have a goal of maintaining a reserve of one hundred percent (100%) of pending claims in the Risk Management Fund and shall strive to fund two-thirds (2/3) of the estimated value of insurance claims incurred but not reported.

### **Use of Non-Recurring Revenues - (All Funds)**

The City of Miami Beach will use one-time, non-recurring revenue for capital expenditures and/or one-time expenditures and not subsidize recurring personnel, operations, and maintenance costs.

### **Capital Asset Acquisition and Renewal and Replacement (R&R)**

1. **Capital Budget Policy** - The City staff will prepare a five-year capital expenditure and funding plan (the "Capital Improvement Plan") for all relevant funds each fiscal year.

The first year of the Capital Improvement Plan will constitute the budget for the respective fiscal year. Annually and as part of the Capital Improvement Plan development process,

the City staff will prioritize the budget expenditures recognizing the following criteria:

- Regulatory compliance
- Safety
- Criticality of asset renewal and replacement
- Efficiencies in joint project construction with other public agencies
- Availability of funding sources including grants, affordability, and other factors prescribed from time to time
- Impact to the City's resiliency efforts
- Expansion/New Facilities

2. **Capital Renewal and Replacement Fund** - The City shall maintain a dedicated portion of the operating millage for General Fund Capital Renewal and Replacement, which shall be used for capital projects that extend the useful life of the City's General Fund capital assets and shall be limited to projects defined as follows:

- Projects that extend the useful life of an asset by at least 5 years with a threshold value of at least \$25,000; for example the replacement of a major component of the asset such as roofs, HVAC systems, electrical systems, fire alarm systems, sprinkler systems that due to significant deterioration would constrain the remaining useful life of the capital asset or projects that significantly reduce future maintenance cost over the remaining life of the asset in an amount that is greater than the renewal and replacement costs of the project.
- The Mayor and Commission may authorize additional uses of the funds for unforeseen or unanticipated events affecting life, health, property, or public safety subject to a five-sevenths (5/7) vote.
- Appropriation of project specific expenditures from the Capital Renewal and Replacement Fund shall be included in the City Manager's annual budget based on an annual recommendation of the City Manager or his/her designee regarding range of asset life extended; identification of fully depreciated or deteriorated components of City assets; inventory requirements for large capital components of assets; or reduction in maintenance costs over the remaining life of the asset.
- Appropriation of project specific expenditures shall be adopted by the Mayor and City Commission.
- Interest earnings that accrue in the Capital Renewal and Replacement Fund shall be included in the appropriation for the Fund in the following fiscal year.
- Changes among project specific appropriations may be authorized by the City Manager to the extent that no new projects be added, and the total annual allocation is not exceeded.

- During a fiscal year, changes to the total allocation and changes to the list of projects to be funded from the Capital Renewal and Replacement Fund shall require prior approval and authorization by a majority of the City Commission. Excess project specific appropriations not required will be available for re-appropriation the following year.
  - Project specific appropriations that are not expended in a given fiscal year shall remain in the Capital Renewal and Replacement Fund for the life of the project.
3. **Pay-As-You-Go Capital Fund** - The City shall maintain a dedicated portion of the operating millage for Pay-As-You-Go Capital, which will provide dedicated funding for General Fund capital projects and allow for growth over time with property values.
- Appropriation of project specific expenditures shall be adopted by the Mayor and City Commission.
  - Interest earnings that accrue in the Pay-As-You-Go Capital Fund shall be included in the appropriation for the Fund in the following fiscal year.
  - Changes among project specific appropriations may be authorized by the City Manager to the extent that no new projects be added, and the total annual allocation is not exceeded.
  - During a fiscal year, changes to the total allocation and changes to the list of projects to be funded from the Pay-As-You-Go Capital Fund shall require prior approval and authorization by a majority of the City Commission. Excess project specific appropriations not required will be available for re-appropriation the following year.
  - Project specific appropriations that are not expended in a given fiscal year shall remain in the Pay-As-You-Go Capital Fund for the life of the project.
4. **5% Annual Funding for Capital Needs** - The City shall have a goal to fund for the following capital needs as a permanent part of the budget, in an amount not less than five percent (5%) of the annual fiscal operating budget of the General Fund of the City:
- **Capital Renewal and Replacement Fund** - to ensure adequate funding for the renewal and replacement of the City's General Fund facilities to extend the useful life or replace equipment whose useful life has expired.
  - **Capital Reserve Fund** - to help ensure adequate funding related to previously approved capital projects for expenditures due to bids that are over-budget, change orders, or other unforeseen items for General Fund projects.
  - **Pay-As-You-Go Capital Fund** - to ensure adequate on-going reinvestment in capital plant and equipment and avoid deferring capital needs until there is a major bond issue.
  - **Information and Communications Technology Fund** - to help ensure adequate funding for the procurement of new or enhanced information and technology needs of the City.

5. **Use of General Fund Fiscal Year End Surplus** – After fully funding the General Fund reserve goals, the City shall transfer to the Capital Reserve Fund 50% of the annual General Fund revenues in excess of expenditures with the remaining 50% to be transferred to either the Capital Renewal and Replacement Fund or Pay-As-You-Go Capital Fund.
6. **General Fund Interest Income for Capital Projects** – The City shall allocate twenty-five percent (25%) of the total projected interest income in the General Fund, starting in FY 2025, for one-time capital expenditures. The City shall have a goal to increase this percentage by five (5) additional percent each subsequent fiscal year.

#### **Enterprise Fund Policies (excluding Building Fund)**

The primary objectives of these following Enterprise Fund financial policies are:

- To maintain strong operations and maintenance programs and provide the necessary funds to finance priority and ongoing capital projects in order to deliver high-quality utility services.
  - To have available funds and access to financial resources to be able to quickly respond to unplanned Capital Improvement Plan projects, emergencies, catastrophic, and Force Majeure Incidents and to allow for the continued ability to provide utility services.
  - To maintain strong financial conditions aimed at preserving and enhancing the Enterprise Fund's credit ratings to minimize capital project financing costs and to promote long-term system sustainability.
  - To maintain reasonable and justified levels of rates and fees over the long run in accordance with good business practices.
1. **Credit Rating Policy (Water, Sewer, and Stormwater Funds)** - The City shall strive to maintain financial performance for the Water, Sewer, and Stormwater Funds consistent with that of utilities with an uninsured bond rating of "AA" or better. A higher credit rating can result in lower borrowing costs and lower rates over the long term for the benefit of the customers of the systems.
  2. **Operating Reserve Policy** - The City will establish and maintain cash-funded Operating Reserves for the Enterprise Funds to provide adequate levels of working capital to i) mitigate current and future risks regarding revenue shortfalls and unanticipated expenses; and ii) ensure stable services and rates.
    - The City will maintain a minimum unencumbered and unrestricted Operating Reserve balance equal to three (3) months or twenty five percent (25%) of the current fiscal year budgeted operating expenses (the Operating Reserve Target).
    - If the Operating Reserve unrestricted balance at the end of the preceding fiscal year is less than the Operating Reserve Target, the City will develop a plan to re-establish the operating reserves over a period not to exceed three (3) fiscal years.
  3. **Renewal & Replacement Reserve Policy** - The City will establish and maintain for the Enterprise Funds an ongoing cash-funded Renewal & Replacement fund for renewals,

replacements, and Capital Improvements.

- The City will maintain for the funds a minimum unappropriated and unencumbered Renewal & Replacement Reserve equal to the prior year's annual depreciation expense (the Renewal & Replacement Reserve Target).
- The Renewal & Replacement Reserve will be in addition to the funds held on deposit for purposes of maintaining a minimum Operating Reserve. It is contemplated that the monies on deposit that are included as a component of the Renewal & Replacement Reserve may be expended on renewals, replacements, and Capital Improvements to meet the overall financial objectives and funding needs of the Enterprise Fund.
- The balances established in this reserve are to:
  - Mitigate risks regarding planned and unanticipated renewals, replacements, and capital expenditures, or increases in materials, labor, or other costs from ongoing or planned projects.
  - Provide for changes in expenditure priorities resulting in the advancement or addition of certain projects.
  - Promote the availability of funds for renewals, replacements, and capital reinvestment for the existing infrastructure, with the intent to limit outages and inability to provide service from equipment or infrastructure failures or because of Force Majeure incidents due to weather events and other occurrences.
  - Ensure reliable service and ameliorate the effects to monthly service rates from unanticipated costs.
- If the Renewal & Replacement Reserve balance at the end of the preceding fiscal year is less than the Renewal & Replacement Reserve Target, the City will develop a plan to re-establish the Renewal & Replacement Reserve in an amount equal to the Renewal & Replacement Reserve Target over a period not to exceed three (3) fiscal years. Compliance with the re-establishment of the Renewal & Replacement Reserve Target may not be achieved through the deferral of maintenance and/or identified capital reinvestment.

4. **Operating Budget Policy** - The annual operating budget for each Enterprise Fund will:

- Be structurally balanced, with revenues sufficient to meet expenses (those that are ongoing in nature).
- Reflect rates set at levels intended to support the direct and indirect costs of the systems, with the intent to provide the lowest reasonable rates over time, not necessarily the lowest fees and user charges during the current or budget fiscal year, and at a level necessary to ensure the adequate maintenance and operations of the systems.
- Reflect these financial policies and include amounts necessary to maintain the

required operating and capital reserves.

5. **Rate and Financial Plan Review Policy (Water, Sewer, and Stormwater Funds)** - The City staff will use a formal forecasting and expenditure monitoring process in the evaluation of the financial positions of the Water, Sewer, and Stormwater Funds.
  - These processes are intended to: i) minimize financing costs through proper planning for Renewal & Replacement and Capital Improvement spending and financing needs; ii) obtain formal endorsement by the City Commission for long-term financial needs and sources of financing; and iii) maintain or strengthen the credit ratings of the Water, Sewer, and Stormwater Funds.
  - The City shall perform a formal rate study at least once every five years, and the City shall adopt a five-year schedule of rates, fees, and charges based on the results of the rate study.
  - As part of the annual financial planning process, the City staff will prepare multi-year operating and capital budgets to ensure rates are sufficient to meet the needs of the utilities.
  - The Water, Sewer, and Stormwater Funds will be run in a business-like manner. Rates and fees will be set to ensure the full recovery of the Water, Sewer, and Stormwater Funds operating and capital expenditures. This practice will ensure that the Water, Sewer, and Stormwater Funds has reduced financial risk and will meet Federal, State, and local regulations as well as service area demands.

#### **Guiding the Design of Programs and Services**

##### 1. Budgeting - Grants

- The Administration shall identify all City Commission sponsored grants which contemplate recurring funding to the grantees as a separate line item in the proposed Operating Budget and/or budget presentations made to the City Commission as part of the annual budget process.
- The Administration shall review and make recommendations to the City Commission on recurring grants every three (3) years, to allow for periodic review and approval of all Commission-sponsored initiatives or grant programs which involve recurring funding, and thereby ensure that recurring grants align with the City Commission's evolving budget priorities.

##### 2. Budgeting – Quarterly review

- The Administration shall review and report to the City Commission of adjustments and amendments to the City of Miami Beach Annual Operating Budget for purposes of conforming actual budget expenditures to the adopted budget and shall occur at least once every fiscal quarter.

##### 3. The City of Miami Beach shall create a strategic plan that identifies multi-year strategic priorities with corresponding result measures for each priority.

##### 4. Annually, or as needed, the City of Miami Beach shall use a strategic planning process to

develop initiatives that support the strategic plan priorities.

5. The budget process and format should be performance-based and focused on Key Intended Outcomes and performance measures.
6. Any new initiatives that are not identified in the strategic plan that are greater than 0.5% of budget for the fund impacted per year, or cumulatively, must be first considered as part of the City's annual strategic planning or budget process to develop initiatives.

## **Debt Management Policy**

1. **Ethics Requirements** – City staff, the City Commission, consultants, and underwriters shall be familiar with and adhere to the laws of the State of Florida, and the requirements of Municipal Securities Rulemaking Board (MSRB), as applicable. All debt financing participants shall always maintain the highest standards of professional conduct. There shall be no conflict of interest between the City and any debt-financing participant.

2. **Debt Issuance**

- The City will utilize its various consultants to determine the amount, timing, and structure of a debt issuance. These professional consultants may include but not be limited to registered financial advisors, bond and disclosure counsel, rate consultants, and general engineering consultants. All such consultants shall provide the City with their relevant written professional opinions as to the projected cost of proposed capital projects and maintenance, the expected revenue to be generated by such projects, and the expected cost of financing such projects along with legal opinions as to the disclosure, authorization, and tax exemption of all such debt issuance.
- Debt repayments should not extend beyond the useful life of the asset financed or 30 years, whichever is less.
- Short-Term Financing - The City may elect to issue short-term financing vehicles such as a line of credit or commercial paper as a bridge for an anticipated funding gap. However, the City will not use short-term borrowing to finance operating needs.

3. **Refundings and Defeasance**

- Bond refunding of outstanding debt may be pursued when a threshold of Net Present Value (NPV) savings is greater than or equal to five percent (5%). NPV savings shall be calculated using the aggregate amount of savings on a refunding transaction taking into consideration the time value of money and net of all costs of issuance. The City's financial advisor must confirm the calculation that the NPV savings meets the threshold requirement as defined in this paragraph.
- However, a determination that a bond refunding meets the minimum NPV savings threshold will not necessarily result in the City refunding any bond series.



#### **4. Disclosures**

- The CFO will coordinate for the City, through a third-party service, annual disclosure filings, as well as other disclosures.
- The City will not disseminate any financial information to any investor or investors where such information is not readily available to all investors. However, general financial information disseminated by the City via means such as the City's web site is for general informational purposes only and is not intended by the City to be relied upon by others for investment purposes.