
Management's Discussion and Analysis

**CITY OF MIAMI SOUTHEAST OVERTOWN
PARK WEST COMMUNITY REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2022

This section of the City of Miami Southeast Overtown Park West Community Redevelopment Agency (the Agency) financial statements presents management's analysis of the financial performance for the fiscal year ended September 30, 2022. This discussion addresses whether or not the Agency as a whole is better off or worse off as a result of this year's activities.

Overview

The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency, pursuant to the redevelopment plans of the Agency for new residential and commercial activity in the Southeast Overtown area. The Agency's primary source of revenue is tax-increment funds. This revenue is computed by applying the operating tax rate for the City and the County, multiplied by the increased value of property located within the boundaries of the redevelopment areas of the Agency, over the base property value, minus 5%. Both the City and the County are required to fund this amount annually without regard to tax collections or other obligations.

On August 6, 2007, the City, County and The Children's Trust (the Trust) entered into an Interlocal Agreement with the Agency, whereby the Agency would receive from the Trust, on an annual basis, tax increment revenues derived from the imposition of a half-mil tax levied by the Trust against real property located within the redevelopment district (referred to as Trust revenues). The agency agreed to use the Trust revenues for debt service on, and other obligations relating to, existing debts of the Agency only after all other available tax increment revenues have been exhausted for such purpose, and to remit to the Trust on the last day of the Agency's fiscal year, all of the Trust revenues that are not needed for debt service on, or other obligations relating to, existing debts of the Agency.

Further, the Agency's policy is set by a board of directors comprised of the five members of the City commission and are separate, distinct and independent from the governing body of the City; and its management plan is executed by a small professional staff led by its executive director.

Financial Highlights

The liabilities of the Agency exceeded its assets at the close of its most recent fiscal year by \$20,652,114. Of this amount, \$9,762,959 was invested in capital assets net of related debt, \$2,135 was restricted for redevelopment projects, resulting in \$10,887,020 (unrestricted net position) available to meet the Agency's obligations to citizens in the Southeast Overtown area.

At the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$44,978,879, an decrease of \$3,143,941 in comparison with the prior year. This significant increase was mainly a result of the sale of certain land and infrastructure during the current fiscal year.

Overview to the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

In addition, the Agency reports, as required supplementary information, a budget to actual comparison and notes to the required supplementary information.

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Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business (i.e. economic resources and measurement focus). The statement of net position presents information on all of the Agency's assets and liabilities, 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 position of the Agency is improving or deteriorating. The statement of activities presents information showing how the Agency'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 the 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.

The government-wide financial statements may be found on pages 8 and 9 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 Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Agency are categorized as 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 Agency maintains three individual governmental funds during fiscal year 2022. 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 each governmental fund.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report. The reconciliations between the governmental funds and governmental activities can be found on pages 11 and 13 of this report.

Notes to the Basic 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. The notes to the basic financial statements can be found on pages 14 to 26 of this report.

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Budgetary Highlights

The Agency adopts an annual budget on an individual fund basis. A budgetary comparison schedule has been provided for the Special Revenue Fund to demonstrate compliance with the budget on page 27 of this report.

The following is a brief review of the significant variances between the original budget and the final budget, as well as the significant variances between the final budget and actual amounts, for the Special Revenue Fund:

- The significant variance between the final budget and actual amounts reported for other revenue is a result of the shopping center settlement apportionment that was not budgeted for.
- The significant variance between the final budget and actual amounts reported for community redevelopment expenditures is a result of redevelopment projects that either did not commence yet or were not yet completed as planned.
- The significant variance between the final budget and actual amount for lease liability issued is a result of the new lease pronouncement that was implemented, but was not a budgeted item.

Financial Analysis

Government-wide Analysis

Our analysis of the financial statements of the Agency begins below. The Statement of Net Position and the Statement of Activities report information about the Agency's activities that will help answer questions about the position of the Agency. A comparative analysis is shown below.

A summary of the Agency's net position is presented in Table A-1 and a summary of changes in net position is presented in Table A-2.

Table A-1
Summary of Net Position

	<u>FY 2022</u>	<u>FY 2021</u>
Current assets	\$ 46,265,237	\$ 48,671,287
Interest receivable	85,303	81,865
Loan receivable	256,802	285,964
Lease receivables	322,599	-
Right to use leased asset, net	2,452,064	-
Capital assets, net	<u>9,762,959</u>	<u>10,241,398</u>
Total assets	<u>59,144,964</u>	<u>59,280,514</u>
Current liabilities	1,640,074	916,296
Non-current liabilities	<u>36,541,788</u>	<u>37,348,362</u>
Total liabilities	<u>38,181,862</u>	<u>38,264,658</u>
Deferred Inflows of Resources	<u>310,988</u>	-
Net position:		
Net investment in capital assets	9,762,959	8,532,534
Restricted for redevelopment projects	2,135	2,135
Unrestricted	<u>10,887,020</u>	<u>12,481,187</u>
Total net position	<u>\$ 20,652,114</u>	<u>\$ 21,015,856</u>

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- Lease receivables and right to use leased asset, net increased in the current year as a result of the implementation of the new lease pronouncement.
- Non-current liabilities increased in the current year as a result of the lease liability recorded as a result of the implementation of the new lease pronouncement.
- A portion of the Agency's net position in the current year (\$9,762,959) reflects its net investment in capital assets (e.g. furniture and equipment, infrastructure and land), less any related outstanding debt used to acquire those assets. These assets are not available for future spending.
- Another portion of the Agency's net position in the current year (\$2,135) represents resources that were subject to external restrictions on how they may be used, i.e. specific redevelopment projects funded by the issuance of the Tax Increment Revenue Bonds, Series 2014A.
- The remaining portion of the Agency's net position in the current year (\$10,887,020) represents resources that are unrestricted and available for any lawful use by the Agency.

Table A-2
Summary of Changes in Net Position

	<u>FYE 2022</u>	<u>FYE 2021</u>
Revenues:		
General revenues:		
Tax increment revenue	\$ 36,637,557	\$ 34,518,206
Leases	126,912	-
Investment income (loss)	(75,195)	48,826
Other	<u>3,723,330</u>	<u>1,222,038</u>
Total revenues	<u>40,412,604</u>	<u>35,789,070</u>
Expenses:		
General government	2,964,744	2,042,663
Community redevelopment	36,501,079	20,091,235
Interest on long-term debt	<u>1,310,523</u>	<u>1,439,650</u>
Total expenses	<u>40,776,346</u>	<u>23,573,548</u>
Change in net position	(363,742)	12,215,522
Net position, beginning of year	<u>21,015,856</u>	<u>8,800,334</u>
Net position, end of year	\$ <u>20,652,114</u>	\$ <u>21,015,856</u>

- The increase in tax increment revenue is a result of the increase in the payout by the City and County.
- Other revenues increased as a result of the shopping center settlement apportionment.
- Community redevelopment expenses increased in the current year as a result of the increase in project activity.

Individual Fund Analysis

The fund balance for the Special Revenue Fund decreased from \$48,119,996 at September 30, 2021 to \$44,976,055 at September 30, 2022. Fund balance for the Redevelopment Projects Fund in the amount of \$2,135 at September 30, 2022 did not change from the prior year. The fund balance for the Debt Service Fund did not change from the prior year.

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Since the Agency only has governmental funds/activities, the changes in fund balance also explain the increases in net position. The following are key factors in the changes in fund balances for 2022:

- The decrease in fund balance in the Special Revenue Fund was mainly due to the significant increase in project activity during the current fiscal year as compared to the prior fiscal year.

Capital Assets

As of September 30, 2022, the Agency's investment in capital assets, net of accumulated depreciation, amounted to \$9,762,959, decreasing from \$10,241,398 as of September 30, 2021.

Summary of Capital Assets

(Net of Accumulated Depreciation)

	Fiscal Year <u>2022</u>	Fiscal Year <u>2021</u>
Land	\$ 4,643,056	\$ 4,643,056
Infrastructure	<u>5,119,903</u>	<u>5,598,342</u>
Total capital assets	\$ <u>9,762,959</u>	\$ <u>10,241,398</u>

Additional capital asset information can be found on page 20 of this report.

Long-term Obligations

During the fiscal year 2014, the Agency issued \$55,885,000 in tax increment revenue bonds. These bonds are secured by a pledge of certain tax increment revenue amounts received from the City and County on the Southeast Overtown/Park West Community Redevelopment area. The proceeds of the bonds are to be used to pay all or part of the costs of the construction and/or rehabilitation of certain redevelopment projects undertaken pursuant to the Redevelopment Plan as designated by resolution.

During the fiscal year 2022, the Agency recorded a lease liability in the amount of \$2,724,515 as a result of the implementation of the new lease pronouncement.

As of September 30, 2022, the Agency has bonds and loan outstanding in the amount of \$33,979,933 compared to \$37,193,657 as of September 30, 2021. No additional debt was issued during fiscal year 2022. Also as of September 30, 2022, the Agency has a lease liability of \$2,458,138 compared to \$0 as of September 30, 2021.

Additional long-term debt information can be found on pages 21 and 22 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 819 NW 2nd Ave 3rd Floor Miami FL 33136.