



# MEMORANDUM

TO: FY 2012/2013 Finance Committee Members

FROM: Camela Glean-Jones, Chief Financial Officer and Executive Vice-President

DATE: September 20, 2013 (*Final FY 12/13 Results Updated October 16, 2013*)

SUBJECT: **FY 2013/2014 Budget Summary** (following the results of Miami-Dade County's Final Budget Hearing held on 9/19/2013).

Following are the rationale and assumptions made related to the fiscal year 2013/2014 proposed budget, compared to the projected forecasted results for the current fiscal year 2012/2013. The rationale is based upon the attached comparative statement of activities, which illustrates The Council's revenue and expense activity for the period of three fiscal years.

## **I. REVENUES AND OTHER SUPPORT**

Funding for The Council's operations and activities are classified into two major dedicated funding sources— public and private—as follows:

### **A. Local Business Tax Receipts Surcharge (formerly Occupational License Surcharge)**

- Miami-Dade County contracts with The Beacon Council to provide economic development services countywide.
- A Miami-Dade County Commission ordinance, placing a surcharge on the Local Business Tax Receipts paid by all Miami-Dade County businesses representing approximately 160,000 businesses, which reflects a 5% decrease on average from prior years, provides approximately 70% of The Council's dedicated operational funding.
- **Miami-Dade County projects for FY 2013/2014 a gross sum of \$3,921,000 representing 95% of projected receipts for the upcoming fiscal year to be allocated to The Council (published in the Miami-Dade County FY 13/14 Proposed Budget Volume 1).**
- Resulting from a five year receipt trend by The Council of FY2008/2009 - \$3,893,468, FY2009/2010 - \$3,909,400, FY2010/2011 - \$3,900,776, FY2011/2012 - \$3,758,715 and
- FY2012/2013 - \$3,721,734, respectively; it was recommended that a line item of \$3,800,000 be allocated as the projected Local Business Tax Receipts Surcharge for FY2013/2014.

***Public Sector Cumulative Local Business Tax Receipts Surcharge Snapshot***

FY 2012/2013	\$3,721,734
FY 2011/2012	\$3,758,715
FY 2010/2011	\$3,900,776
FY 2009/2010	\$3,909,400
FY 2008/2009	\$3,893,468

**B. Private Sector Membership**

- **The other major portion of revenue comes from approximately 231 private businesses and organization memberships (Cash/In-Kind). The projection for fiscal year 2013/2014 in Cash Memberships equals \$630,000 (new and renewals), and In-Kind Memberships usage equals \$100,000.** Cash member dues projection is flat as reported by the **Investor Services Team**. In-Kind Budget projections result from identified usage, however this number may increase as new in-kind opportunities are identified during the course of the fiscal year, intended to defray operating costs and/or events costs.

***Private Sector Cumulative Cash Snapshot***

FY 2012/2013(final)	\$606,375
FY 2011/2012	\$686,808
FY 2010/2011	\$637,875
FY 2009/2010	\$631,750
FY 2008/2009	\$566,250

**C. Sponsorships**

- In addition to member dues, we offer our members and/or non-members the opportunity to sponsor core Beacon Council events throughout the fiscal year. This effort is projected at \$329,000 in revenues, which represents a 39.24% or \$92,719 increase compared to the 2012/2013 forecast results. The increase is attributed to events such as: Annual Meeting, Key Ceremony, and Beacon Awards along with various Access Breakfasts, further impacted by the re-branding of The Council.

**D. Event Income**

- The Council's event income projections for fiscal year 2013/2014 are a direct result of hosting four core events such as Annual Meeting, Beacon Awards, Key Ceremony, Midyear Meeting along with various other smaller efforts projected to generate approximately \$100,000 in individual ticket sales.

- **Note: Resulting from illustration below, net projected profits from events reflects \$81,000 for FY 2013/2014 utilized to defray program costs above and beyond the offset of direct event expenditures.**

***Event Net Income Cumulative Snapshot***

FY 2012/2013 (final)	\$149,601
FY 2011/2012	\$120,574
FY 2010/2011	\$120,488
FY 2009/2010	\$101,065
FY 2008-2009	\$65,000

**II. EXPENSES**

Expenses for The Council are divided into three major categories: Personnel costs, program expenditures along with occupancy and administrative expenses described as follows.

**A. Personnel Cost**

- Fiscal Year 2013/2014 Personnel Cost reflects the following assumptions:
  1. Headcount decrease by two employees with a total Staff of #30 employees compared to current FY 2012/2013 headcount totaling #32 employees, which at the time resulted in economic development increased staff of #2 employees. The eliminated posts are: Marketing Creative Services Manager and Member-Investor Administrative Assistant.; further impacted by a proposed 3% salary increase pool
  2. Retirement Contribution Benefits of 5%, projected at \$94,783.
  3. Employee (EE) cost contributions to Medical, Parking/Metrorail Benefits represent an average of 40%; the Employer (ER) covers the remaining 60%. Dental and Life Insurance products EE coverage remains at 100% covered by ER.
  4. The variance trend observed for Total Personnel Expenses is impacted by the departure of highly compensated EE's during FY 2012/2013, timing of EE new hires, along with lower pay- grades when replacing vacant slots.

**B. Core Program Expenses**

- Fiscal Year 2013/2014 expenditures reflect a 19.53% or \$118,399 increase due primarily to the frequency of the EQ Publication/Print Media, Professional Services impacted by Videography, Photography, and Design Work; Travel and Entertainment increased expense is due primarily to the addition of travel to Asia in partnership with the Governor's Mission; this area has been dormant for a number of years for The Council.

**C. Occupancy, Equipment and Other Administrative Expenses**

- Projections for Fiscal Year 2013/2014 Plan reflect an overall decrease of \$304,921 compared to Fiscal Year 2012/2013 Forecast impacted by CEO Search expense at \$129,642; Legal Fees at \$117,000, including the agreement with Acosta Esq at \$50,000, which has been cancelled as September 2013. Legal Fees for Fiscal Year 2013/2014 is capped at \$50,000.

**III. CHANGE IN NET ASSETS FOR FISCAL YEAR 2013/2014**

We are projecting zero change in net assets prior to depreciation however; we must remain vigilant keeping in mind the volatility of The Council’s primary source of operational revenues and our ability to minimize unanticipated material expenses during the course of the upcoming fiscal year. This remains a major concern due to the increase in delinquencies of the Local Business Tax Receipts, as per the Miami-Dade Tax Collector’s Office.

The above zero base operating budget is attained resulting from The Council’s re-investment of its reserves fund in key initiatives as follows:

- Resolution authorizing transfer of \$71,000 to cover \$21,000 in cash travel and other program expenses (i.e. Lobby-tools) along with the applicable Excise Tax from The Beacon Council reserve fund in order to continue to pursue legislative/lobbying activities during the upcoming Fiscal Year 2013/2014.

**IV. CONCLUSION**

The organization’s strategy in preparing for the annual program and budget planning process is one emphasized by a conservative approach, given its limited resources. This strategy was implemented by the Executive Committee Retreat, Senior Staff Retreats, followed by departmental planning meetings in order to secure staff’s input. In addition, this process was benefited by contributions from our volunteers as members of various existing task forces, which offered an outside perspective ultimately culminating in a comprehensive process with many layers.

<b>Cash Reserves Trend Analysis</b>						
<b>FY 2007-2008 thru FY 2012-2013</b>						
<b>FISCAL YEAR</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
	Audited	Audited	Audited	Audited	Audited	Forecast
Beginning Cash Reserves	5,480,619	4,455,046	3,853,725	3,925,677	3,714,267	3,468,412
Returned to Reserves decreasing net impact	45,951	93,952	348,049	285,056	275,589	46,038
Taken from Reserves	(1,071,524)	(1,480,184)	(276,097)	(646,466)	(343,360)	(284,206)

## **Fiscal Year 2012/2013 Forecast Results vs. Budget**

### **Revenue – All Sources:**

Gross Operating Revenues from all sources totaled \$5,022,305 at September 30, 2013. This figure is 4.39% or \$230,534 below plan primarily resulting from: below plan performance of Local Business Tax Surcharge receipts (\$178,266); Member Investor Cash Dues (\$43,625); Sponsorship and Event Income (\$234,209).

### **Operating Expenses:**

Gross operating expenses, which include programs, personnel, and general and administrative expenses projected to total \$5,260,473. This figure is \$79,063 below plan resulting primarily from an aggressive Events Budget utilizing FY 11/12 results as a benchmark.

Further funds transferred from reserves to support CEO Search; IT Upgrades and Legislative/Lobbying Activities totaled \$284,206. Net operating expenses after reserves transfer total \$4,976,267 comprised of overall Personnel, Program Expenses, and Overhead.