

**City of Coral Gables
Second Budget Hearing
September 22, 2020
Virtual Meeting
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Raul Valdes-Fauli
Vice Mayor Vince Lago
Commissioner Jorge Fors, Jr.
Commissioner Pat Keon
Commissioner Michael Mena**

City Staff

**City Manager, Peter Iglesias
City Attorney, Miriam Ramos
City Clerk, Billy Urquia
Budget Director, Keith Kleiman**

Public Speaker(s)

Start [5:01p.m.]

Budget Director Kleiman: Do we have the slide presentation up on the screen? – there we go. As you can see from the Budget Calendar, we are at the last step, September 22nd, this evening is the Second Budget Hearing. After this we go live on October 1st. Now, as you all know, the pandemic hit us in March and at that point we had to decide on a methodology, how to handle it. So, we decided the best bet was to look at it as a three-year event. We had a plan for it immediately in FY20. We had a plan for it in months ahead for FY21, and then, knowing that there is a possibility that FY22 could be a year in which some categories or property values go down, namely commercial, that we have to plan for that as well. So, we have a three-year event – the goal, the absolute goal for us, maybe not other cities, but this is the goal that we set, is to keep each fiscal year’s potential shortfall contained to that fiscal year without the use of Fund Balance. So, it looks like we are going to succeed with FY20. We are planning the same for FY21, FY22, we are going to be in a very good place, based on what we are planning for FY21, and we think we will get through all the three years without touching our emergency Fund Balance. FY20 – Initially, we came to you with a \$9.5 million-dollar shortfall. Since that time, of course, we did a full-blown analysis of expenditures and revenues and that shortfall has been reduced to \$8.2 million dollars. On the reduction side, however, we identified \$9.2 million. We wanted to create an additional million dollars of fund balance to bring into FY21, to add to what we are going to talk about in the next slide or two, the soft reductions that are available in FY21. FY21 potential shortfall is \$12.6

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million, okay. Now, that's a hefty sum. We were able to balance it and will show on the next slide how we did that, but we want to go through just a short synopsis of the methodology. We balanced the budget with hard reductions. It meant relying on some of the failsafe's that we built into the budget to reduce revenues and expenditures, and also to eliminate hard eliminations from some of the departments and that balanced the budget to \$12.6 (million), and we'll go over the details in a moment. The novel thing that we have put into this budget is soft reductions. You know, we don't know what we don't know. We actually planned for pretty much a bad year - \$12.6 million is a large cut to a budget, but we are planning for more. We have set aside about \$5.4 million in soft reductions. Those are items identified in the budget that are there in case revenues do not come in, even more so on top of the \$12.6 million. Now those soft reductions will be there for FY21 and also for FY22. FY21 hard reductions. Vacancy is frozen, except for Public Safety, \$1.9 million. Reducing Operating Expense, \$2.2 million. Reduce Capital Transfer from the General Fund of \$4.6 million. And as you know, we had a very complex capital process this year, and we relied solely on planned use of Fund Balance. We are not using any recurring revenues from the General Fund to fund Capital. That was one of our fallbacks, that's one of our failsafe's that we built into the budget, so we had a place to cut that wasn't going to be as painful, knowing that we have some onetime revenues to use for Capital. Reduce Capital Contingency in the General Fund by a million dollars. Reduce Reserve for Future Debt by \$1.2 (million). Adjust for compensated absences, \$950,000. Reduce Fleet Replacement by \$495,000. And reduce the health insurance by an adjustment of \$280,000. Now the soft reductions, as we said, these are items in the budget that we have set aside, okay. There is no obligation to spend them. So, we have them set aside and in case we have worse than a \$12.6 million-dollar deficit, we have these funds to fall back on. Contingency for Budget Reduction, \$5.4 million. And we have an additional \$600,000 of Reserve for Future Debt that we can fall back on as well, and Stabilization of one million dollars. FY22 – Because we have a balanced budget each year, we have the same items identified for FY22.

Mayor Valdes-Fauli: Excuse me, but you made this presentation before and we found it very, very impressive and I even used it in my State of the City, can you hear me well?

Budget Director Kleiman: No. I'm sorry.

Mayor Valdes-Fauli: We've seen this presentation before, you gave it the last time, and I found it very, very impressive, and I even used it in my State of the City Address. Do we have to go through it again?

Budget Director Kleiman: Yes.

Mayor Valdes-Fauli: What?

City Attorney Ramos: Because it's a second public hearing, there maybe people tuning in that didn't hear it the first time.

Mayor Valdes-Fauli: Okay. Go ahead.

Vice Mayor Lago: And I think also, I think its important, especially when you mentioned before on the FY21, did you cover that last time into this kind of depth?

Budget Director Kleiman: Yes. It's the same slide show.

Vice Mayor Lago: I just don't remember that one.

Budget Director Kleiman: Just some minor changes to the numbers, adjustments here and there, but yes, it's the same one. Mayor, just so you understand, the minutes to this meeting have to go to the State.

Mayor Valdes-Fauli: Okay. Go ahead.

Budget Director Kleiman: That's just some of the detail we have to have. Okay. Now getting to the actual details of the budget. We are projecting Annual Revenues of \$188.6 million dollars. We are projecting planned use of Fund Balance of \$18.6 million, that is not touching our emergency reserves. The total Revenue Budget is \$207.2 million. On the expenditure side – Operating Budget is \$172.8 million. The Capital Budget is \$22.5 million. Debt Service is \$10.3 million, for a total Operating Budget of \$205.6 million. Transfers to Reserve, \$1.6 million and a balanced budget of \$207.2 million. Revenue increases still pretty high compared to most cities, but not as high as we would normally have here. Property tax, \$2.7 million, and that is based on a three percent increase in values. Sanitary Sewer Fees and Storm Water Fees, both of those are due to the fee increase. The Sanitary Sewer Fee increase is going toward Operating, Capital and Future Debt; \$445,000 of the Storm Water Utility Fee is going for the Sea Level Rise Program, not to be spent. Public Safety Fees, \$130,000, that's just trend, better collections. Refuse Collection Fees, they are early payment, its good for the residents, not so good for the city, its going up by \$97,000. That's the 15 percent discount that they get for paying early. Parking Rental, that's retail space escalations, going up by \$78.5 thousand dollars. So, the total revenue that's associated with revenue increases is \$122.9 million. Now revenue decreases. This looks awful, but its not. Most of this is due to reappropriations from prior year. Intergovernmental Revenues, that's mostly grants. The next one, Automotive Parking Fees, that is a reduction. We have reduced the budget considerably in Parking and therefore that does affect the General Fund. The Developer Fees is a onetime item, that's the \$2.7 from Agave that we originally, we thought was going to come in in FY20. It's not going to come in until the end of the project. Its coming out of the budget for the time being. General Fund Investment Earnings, that's down \$1.8 million due to the economy. Miami-Dade Roadway Impact Fees, that's a grant, that will be reappropriated into FY21, within the first quarter of the year. And the next one, the Commercial Waste Fees, that's the item that is at the end of the Waste Management Contract. It is not going to be repeated. We enjoyed that for almost ten years and that's not going to be in the new contract. Permit Fees – due to the economy, we reduced that by almost \$800,000; and the Capital Projects Investment Earnings, \$468,000, and a good piece of that is the money that's being earned in the Capital Projects is being spent, the Public Safety Building, the Fire Station, the Trolley Station, a lot of this is going out, so we don't expect a large return on investment earnings in that fund. The revenues that are associated with the revenue decreases is \$65.6 million. The total Revenue Budget, \$188.6 million. Expenditure changes affecting the budget – Salaries frozen, \$1.6 million. Overtime, which is a onetime influx of overtime in FY20,

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that's being reduced by \$180,000. Overtime itself, we are not touching in FY21. This is just taking out the onetime increase. Under Employee Benefits – Retirement, the Pension, the payment is going up by \$675,000, that is made up by the 1.25 percent index that we have committed to increase the payment each year. And the future payment of an assumption change, we are paying that in FY21, as well, for a total of \$675. The FICA is going down by \$120,000, and that's associated with the frozen salaries. The next large item in there is Health and OPEB, that's going up by \$747,000, this is the year we are actually going to recognize the increase in the employee healthcare. Last year, though the increase happened, we got a one-time credit, which we were able to put towards it, so this is the year we are actually feeling the difference. The total Personnel Budget is \$118.6 million. On the expenditure side – Professional Services, going down by \$1.6 million, that is made up of one-time items that were in the budget as reappropriations. Its made up of hard reductions and soft reductions. Repairs, Maintenance, Utilities and Miscellaneous Services, the \$464,000, that is the operating component of the Sanitary Sewer and Storm Water Fees. Park Supplies and IT Maintenance, the \$393 is a one-time reappropriation, as is the \$1.1 million, the \$866 million equipment additions. The grants are \$488. The fleet equipment replacement of \$3.3. Now you can see, there is one item that went up, \$4.4 million, that is the setting aside of some of the additional money for the soft reductions. That is in there to cover us in case we need it. Now operating went down by \$328,000, and that is year three of the elimination of the ROI from the Enterprise Funds to the General Fund. Total Operating Budget is \$172.8 million. Now this next slide was requested by the Budget Advisory Board. They want to know the cost of labor compared to the total cost of a department, and you can see the percentage there in the righthand column for each of the departments in the city. Employee Classification Ten Year Comparison, we are bringing a budget that is at the same staffing level as last year, 846 positions, made up of 193 sworn positions in Police, and 39 Uniform and Firefighters and 514 in general employees. Capital Projects – I'm going to read off the total of each category, if anyone wants to ask a question, please slow me down and we can go into detail. All the directors are on Zoom, if there are any questions for specifics, we can have them report on them. Capital Equipment, \$1.1 million. Facilities Repair and Improvements, \$1.6 million.

Vice Mayor Lago: Quick question in regard to roof, that includes City Hall or that's an outside project?

Budget Director Kleiman: The City Hall project is in – this is additional money, okay, so 427 is part of the City Hall complex, so some of the money going in there is for that.

Vice Mayor Lago: Okay.

Commissioner Keon: But that's not City Hall itself. I think that's in 23.

Budget Director Kleiman: City Hall is further out.

Commissioner Keon: I think its in 23. I think there is a \$7 million-dollar allocation in 23.

Budget Director Kleiman: It's a number, it's really a placeholder.

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Commissioner Keon: It's a number, I know, but I think it's in 23.

Vice Mayor Lago: What I'm saying is, the reason why I brought it up on that line item, because the most important thing to do in regard to this building right now is to make this building water tight. So, my conversations with the Manager and the ACM have been about getting this roof done as quickly as possible, because at least then you stop some of the deterioration of the building. So, my question was, if in roof replacement program on citywide for 278,385, do you have the monies necessary to replace this building's roof now, now.

Budget Director Kleiman: Yes. They are working on it now, and we have money. We have set aside money for City Hall.

Vice Mayor Lago: Yes, I know that.

Budget Director Kleiman: Some of it is going to 427, but City Hall still has a balance; and then also there is about \$275,000 left in the old Public Safety Building project that we've been not touching it, that's going to transfer over to City Hall.

Vice Mayor Lago: Because I'm not worried right now about the interior of this building and the exterior, we need to sure up the roof first, that's the most important thing.

Budget Director Kleiman: Yes.

City Manager Iglesias: What we are doing right now are temporary repairs and we are getting that process done to replace the entire roof and stabilize the building.

Vice Mayor Lago: Yes, that's it. Thank you.

Budget Director Kleiman: So, we are covered. Historic Facility Repairs and Restorations, \$2.7 million. Motor Pool Equipment, Replacements and Additions, \$2.9 million. Parking Repairs and Improvements, \$4.8 million. Parks and Recreation Repairs and Improvements, \$1.4 million. Public Safety Improvements, \$790,000. Transportation and Right-of-way Improvements, \$1.6 million. Utility Repairs and Improvements, \$8.4 million. Total Capital Project Budget is \$25.4 million. We are presenting a budget based on a millage rate of 5.559. This will be the sixth consecutive year that we are proposing the same tax rate. Now the numbers here on the second row, Taxable Value, come from the Property Appraiser. They are the average taxable value of a Homesteaded property. So, they are actually considerably higher. If you look at 2019 and look at 2020, that is way more than three percent increase, okay, because its an average. Built into the average are additions, instruction, any modification done to people's homes. And as you can tell, we had this discussion this morning, you can see there is a lot of that happening in the city. So, this is just an average. So, if someone's value in 2019 is 650, and they didn't do any construction to their house, they are limited to the lesser of the local CPI or the three percent, based on Save Our Homes rules. So, it won't be as great an increase as what's showing here, but this is just what they proposed in the Property Appraiser and we want to be consistent with what they are showing. So, based on this value of \$700, almost \$5,000, the Coral Gables portion of the tax of \$3,917, a potential increase

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of \$280 over the prior year. Now if you take that same value of \$705,000 and apply it to the other full-service cities in Miami-Dade County, you can see that other than Key Biscayne, we are the second lowest. Coral Gables Properties by Type – So Homestead makes up 52.1 percent of our properties. Non-Homestead make up 33.7; Commercial, 8.9; and all others 5.2. Property Tax Revenue by Property Type – Homestead Residential, of the \$92.2 million, 40.7 come from Homesteaded properties; 26.2 come from non-Homesteaded; 17.9 come from commercial; 7.5 from all others. This is similar information, but you have percentages, and this shows the pie chart. So, the dollars are the same here as the previous slide, but this one adds percentages. Ten Year Municipal Millage Rates for Full-Service Cities by Tax Year – You can see we have Coral Gables, Miami, Hialeah, Key Biscayne and Miami Beach. Coral Gables, as we've done, in the ten years I've been here, we are at number 2, the second lowest; Key Biscayne is the only city ahead of us. This is similar information, but it shows all of the cities in Miami-Dade County. We are number 11. In my ten years here, we have gone back and forth between 11 and 12. The last few years, we've managed to stay at number 11. I have the best slide in the pack, for every tax dollar, 29 cents goes to Coral Gables, and we know we give most all services to our residents; 31 cents goes to the county; 2 cents goes for regional; and 38 cents goes to the School Board.

Commissioner Keon: What is regional? Is that water management?

Budget Director Kleiman: I think it's the water management district and small things like that. Annual Pension Contributions – As you can see, we are planning a \$1 million increase to the additional payment. Last year it was \$4.052 million. This year is going to be \$5,027,000; and the arch has gone down from 24.2 to 23.8. And our funded has gone up, that's the blue. You can see it went from 63.6 to 65.1; and the unfunded has gone down from 36.4 to 34.9. So, we've been consistently going in the right direction. Now this slide is going to change as soon as they close the books for FY20. This is based on the certified financials for FY19. In FY20 we collected a considerable amount of money from FEMA reimbursements. So, what this is showing is that our 25 percent reserve is actually at about 16 or 17 percent, but when FY20 closes, it should be well into the twenties. And that ends the presentation. If there are any questions, I'd be happy to answer them.

Mayor Valdes-Fauli: Very good presentation, like always.

Budget Director Kleiman: Thank you.

Mayor Valdes-Fauli: Thank you very, very much. Madam City Attorney, what's the next step? Is there any member of the public that wishes to speak?

City Clerk Urquia: Yes Mr. Mayor, you have Mr. Jackson Rip Holmes requesting to speak.

Mayor Valdes-Fauli: Okay, Mr. Holmes, please.

Mr. Holmes: Thank you so much, all of you. It's a great honor to be able to attend virtually. So, I want to get right to the point. I happen to probably have a slightly larger view of things, like I just realized that the federal government, we're at the top of the food chain on the economic – we're

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like almost an economic dictator in some ways in the world. We're the largest super power economically, so we get away with printing money, which is thank God we do, right. We are the only country that can actually print money, they supposedly printed \$19 trillion dollars to get us out of the Great Recession, and if I was City Manager, I would be saying, gee, let's pray for whichever people to get elected are willing to give the Federal Reserve the green light to print money. Some people might think it was counterfeiting. We get to do it and that's a hopeful solution here. On Miracle Mile, where you know I own property, the news is not good. Right now, I would say income is down by over 50 percent. I don't want it to be that way, but I'm trying to give you a realistic statement – income is down by over 50 percent. I have a couple of other mentions that I want to say here. I believe, now this is a personal opinion, some people may be very upset with what I'm about to say, but I think that some of this stuff is being exaggerated and I point out to people that Sweden has not done any of these lock downs, has not done any of the social distancing, not wearing masks, they said let it run like Ebola, like any other pandemic. So, they've had 5,000 deaths, which is about on par with the others, but the deaths have now stopped, because they have this thing which what Trump's talked about of herd immunity, and it seems to be working in Sweden. So, if any of you are like pushing back, I'd like Mr. Mena standing up and calling for masks today. Push back. Look at Sweden. Sweden is doing nothing, and they are doing better than we are. Finally, I have one more comment and if you'd allow me, I'll pull it up. Actually, I think I've covered it. So, if you'll allow me just a humorous closing, let's pray they print that money, that's what we need. Thank you very much.

Mayor Valdes-Fauli: Thank you very much Mr. Holmes. Thank you very, very much. I still think we have to wear masks. Anybody else?

City Clerk Urquia: That's it, Mr. Mayor.

Mayor Valdes-Fauli: Thank you very much. I close the public hearing because everybody who has wanted to speak has spoken, including Mr. Holmes. Miriam what else?

City Attorney Ramos: I'll read the two ordinances, sir, and then we'll take votes, so we'll go one by one. An Ordinance providing for the levy of taxes for the Fiscal Year beginning October 1, 2020 and ending September 30, 2021; fixing the rate of such levy; providing for the segregation and the application of the proceeds of such levy, providing for the separability of the provisions hereof; and providing that this ordinance shall become effective October 1, 2020. It was passed on First Reading, September 10, 2020. Be it ordained by the City of Coral Gables City Commission that there hereby is a levy upon all real and personal property within a present corporate limits of the City of Coral Gables, which is assessed for taxation for the year 2020, and would be subject to taxation under the Constitution and Laws of the State of Florida is now written, a tax of 5.559 mills, which is a 3.64 percent increase of the rollback rate of 5.3637. All proceeds of the collection of this levy to be recorded into the General Fund of Coral Gables and shall be reserved therein and dispersed, transferred therefrom for the sole and expressed purpose of paying the necessary operating capital expenditures of the City of Coral Gables, its departments, offices and properties for the Fiscal Year ending September 30, 2021.

Commissioner Keon: I'll move it.

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Mayor Valdes-Fauli: Do I hear a motion?

Commissioner Keon: I'll move it.

Vice Mayor Lago: Second.

Mayor Valdes-Fauli: Is there a second please.

Vice Mayor Lago: Yes.

Mayor Valdes-Fauli: Will you call the roll please.

Commissioner Fors: Yes

Commissioner Keon: Yes

Vice Mayor Lago: Yes

Commissioner Mena: Yes

Mayor Valdes-Fauli: Yes

(Vote: 5-0)

City Attorney Ramos: The second ordinance is an Ordinance adopting the Annual Budget of Estimated Revenues and Expenditures for the Fiscal Year beginning October 1, 2020 and ending September 30, 2021; providing for the separability of the provisions hereof; and providing that this ordinance shall become effective October 1, 2020. It passed on First Reading September 10, 2020. Whereas the City Manager prepared and on July 1, 2020 submitted to the Commission a Budget Estimate of the Revenues and Expenditures of all city departments, divisions, offices and properties for the Fiscal Year commencing October 1, 2020, and copies of such estimates have been made available for public viewing at the Coral Gables Library and at the Office of the Clerk. And whereas, the Budget Estimated submitted to the Commission on July 1, 2020 in the amount of \$208,091,965 have been revised by the City Manager to include revenues and expenditures decreased in the amount of \$879,927, bringing the total budget amount to \$207,202,038. That the following summary of estimated revenues and expenditures for the Fiscal Year commencing October 1, 2020 and ending September 30, 2021 is hereby agreed upon and adopted, along with the supporting data relating thereto on file with the Finance Department of Coral Gables as the official 2020-2021 Budget of the City of Coral Gables. Total Operating Revenues in the amount of \$188,601,041. Total Transfers from Revenues in the amount of \$18,610,997. Total Revenues in the amount of \$207,212,038. Total Operating Expenditures in the amount of \$172,791,224. Capital Projects in the amount of \$22,511,828. Total Debt Service Sunshine State in the amount of \$10,344,809. Total Transfers to Reserves in the amount of \$1,564,177 for total expenditures in the amount of \$207,212,038.

Vice Mayor Lago: So moved.

Commissioner Keon: Second.

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Mayor Valdes-Fauli: Will you call the roll please.

Commissioner Keon: Yes
Vice Mayor Lago: Yes
Commissioner Mena: Yes
Commissioner Fors: Yes
Mayor Valdes-Fauli: Yes
(Vote: 5-0)

City Attorney Ramos: And then we have a Resolution adopting the Capital Improvement Budget for the five fiscal years from 2021 to 2025.

Vice Mayor Lago: So moved.

Commissioner Keon: Second.

Mayor Valdes-Fauli: Will you call the roll please.

Vice Mayor Lago: Yes
Commissioner Mena: Yes
Commissioner Fors: Yes
Commissioner Keon: Yes
Mayor Valdes-Fauli: Yes
(Vote: 5-0)

Budget Director Kleiman: I just want to thank everybody for all the cooperation and all the direction. I'm serious. This could have been a really tough year. You asked the question before and it worked out well. Thank you for everything and all the support. All the directors too, because we don't do this. You know it takes a village to raise a kid. It takes a village to make a budget, it really does.

Mayor Valdes-Fauli: Not only this year, but every other year you've done a wonderful job making it very, very clear, not only to us who are familiar with these numbers, but to the members of the public that wish to be informed. You've done a great, great job and I thank you very, very much.

Budget Director Kleiman: Thank you so much. I appreciate it.

Vice Mayor Lago: Congratulations. You deserve all the credit.

Mayor Valdes-Fauli: Anything else. Meeting adjourned. Thank you.