

City of Coral Gables City Commission Meeting
Agenda Items E-4 and F-5 are related
September 26, 2023
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Vince Lago

Vice Mayor Rhonda Anderson

Commissioner Melissa Castro

Commissioner Ariel Fernandez

Commissioner Kirk Menendez

City Staff

City Attorney, Cristina Suárez

City Manager, Peter Iglesias

City Clerk, Billy Urquia

Finance Director, Diana Gomez

Public Speaker(s)

Maria Cruz

Saralane Conde

Agenda Items E-4 and F-5 are related [12:00 p.m.]

An Ordinance of the City Commission amending the City of Coral Gables Code by Creating Chapter 2 “Administration,” Article VII “Finance,” Division 1 “Generally,” Section 2-352 Fund Balance and Reserve Policy,” to codify the Fund Balance and Reserve Policy establish pursuant to Resolution No. 2016-34 and to require a four-fifths vote of the City Commission prior to spending General Fund Reserves, except during a declared State of Emergency, and to provide that the policy may be amended by ordinance approved by a four-fifths vote of the City Commission; providing for a repealer provision, severability clause, codification, and providing for an effective date.

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Agenda Items E-4 and F-5 are related - Ordinance of the City Commission amending the Code to codify the Fund Balance and Reserve Policy and to require a four-fifths vote of the Commission prior to spending General Fund Reserves, except during a declared State of Emergency, and to provide that the policy may be amended by ordinance approved by a four-fifths vote of the City Commission and a discussion concerning hurricane reserve amount and accessibility of funds for disaster mitigation.

(Sponsored By Mayor Lago)

Discussion concerning hurricane reserve amount and accessibility of funds for disaster mitigation.

(Sponsored by Vice Mayor Anderson)

Mayor Lago: Moving on to Item E-4.

City Attorney Suárez: E-4 is an ordinance of the City Commission amending the City of Coral Gables Code by creating Chapter 2, "Administration," Article VII, "Finance," Division 1, "Generally," Section 2-352, "Fund Balance and Reserve Policy," to codify the Fund Balance and Reserve Policy established pursuant to Resolution No. 2016-34 and to require a four-fifths vote of the City Commission prior to spending General Fund Reserves, except during a declared State of Emergency, and to provide that the policy may be amended by ordinance approved by a four-fifths vote of the City Commission; providing for a repealer provision, severability clause, codification, and providing for an effective date.

Mayor Lago: Okay. Thank you very much. This is pretty simple. I think that I've had multiple conversations with presidents of banks. As a matter of fact, I had one on this morning at breakfast, the president of Key Biscayne Bank, and I've talked to the president of City National Bank and we had also a conversation with the president and vice president of Popular Bank. I think as we are looking at right now is an issue of liquidity, and they all stated the same thing. Liquidity is king in moments of high inflation and I think that -- and high interest rates. And I think that we need to be as diligent as possible in these moments to ensure that we protect our restricted reserves. What does that mean? Does that mean that I don't think that we should use them? Not for capital projects. Those are things that we should budget for, and I think we've paid dividends over the last few years to do that. I think we should have a mechanism in place that the Manager can use or access those funds if we have an issue in regards to a natural disaster or something similar to that. If you look at the past, the last hurricane that we had five years ago, we spent how much, Mr. Manager?

City Manager Iglesias: \$22 million.

Mayor Lago: \$22 million. Including -- if you were to take into consideration today's labor costs and construction costs, what would you think it would be around?

City Manager Iglesias: I would say at least 28 to \$32 million.

Mayor Lago: So, to me, I think that this is not only protecting our liquidity, just in case we have one storm or a very active storm season. And I think it's also important because it sends a message. When I talk to all three of these bank presidents, which by the way, all three of them live in the City of Coral Gables and they're constituents, I explained to them the situation that we were considering as a Commission. And they all told me, Vince, there's a few things that we as residents take pride in and that is that, number one, that we have a strong financial balance sheet and we've been able to get that over the last 10 years when we were able to -- we were one of three cities that received a triple-triple bond rating in the state of Florida. And I think a lot of it has to do with our restricted reserves, which if we go back to an ordinance that I helped draft, which is here and I made the motion, that ordinance was the one that required 25 percent reserves in the City. So, to me, the message is very, very clear. After I've had conversations with multiple different bankers, they said that no matter if it's good times or bad times, you want to send a strong message when you're going to the bond markets, when you're attempting to, you know, meet a project that you're considering for the near future. And having restricted reserves of \$50 million that are untouchable, except for obviously in case of an emergency, I think sends a strong message about this Commission and this City's seriousness in regards to our balance sheet and ensuring that we are liquid and that we are in the best financial shape in the future. That's why I put this forward. That's why I asked for the Commission to please consider taking the strong position. It's a very strong position. You know, I don't like to tie our hands, but at the end of day, I think it's well worth it in this situation. I think we can find other ways to address projects that need to be addressed. I think we can find other ways to find common ground, but I think touching our restricted reserves is playing with the future of the City and is fiscally sending the wrong message to the credit rating agency. And I think it's also potentially financial suicide for us because if we tap it today for X amount, we can always go back to it and tap it again. Well, we already did it once, let's tap it again. We're sending the wrong message as the Commission that, you know, this is a piggy bank that over the last 10 years we've been able to accumulate, just like we've been accumulating and adding more and more every single year, 13th check for the unfunded liability. I think that this is something that we have to be strong, fiscally conservative, and stand our ground on this issue to send a message to the residents that in regards -- we may disagree on issues and that's perfectly fine. I don't have an issue disagreeing with the Vice Mayor, the Commissioners, with staff on whatever issue that may be. I don't have a problem with staff not voting my way. I don't have -- excuse me, with my colleagues not voting my way. But when it comes to the City finances, I think we need to be very, very careful and not play politics with the City finances.

Vice Mayor Anderson: So...

Mayor Lago: Madam Vice Mayor.

Vice Mayor Anderson: So, I asked staff to prepare a presentation really to address some of the other items coming forward on our agenda. And it addresses, you know, our City reserves and the costs of various hurricanes, whether they be a Category 1, such as Irma was, or Category 5, such as Ian, which the west coast of Florida is still to this day trying to clean up from. So, Mayor, I

think it would be beneficial that we do the presentation at this time and consider both these issues at the same time before we get into some of the latter items also on the agenda.

Mayor Lago: That's fine.

Vice Mayor Anderson: And while staff is getting ready, I -- Manager, I had a question for you, and I've stated it, but can you confirm for me whether Irma was a Category 1?

City Manager Iglesias: Category 1.

Vice Mayor Anderson: Okay, so...

City Manager Iglesias: A minimal Category 1.

Vice Mayor Anderson: Minimal storm, very minimal storm compared to the catastrophic storms or even middle-of-the-road storms that we get sometimes. So, we had two of those, two of those minimal storms in one year, and I remember because my in-laws lived in the middle of the state, there was four -- four storms, Charlie -- and I lost track of the names -- that cut through the middle of the state one year. So, 20 to \$32 million, we'd be talking about 40 to \$64 million in a way of...

City Manager Iglesias: If we had two of those storms, I'm assuming the second storm may not -- if we have two marginal storms, the second storm would probably provide a little less damage because things are already damaged already. So, we figured that we would probably be in the 50 to \$55 million range for those two storms.

Vice Mayor Anderson: Right, okay. And you know, a Category 5 storm is one of these catastrophic storms where there's nothing basically left on the branches, you know, everything's ripped off.

City Manager Iglesias: And it truly doesn't have to be a Category -- a Category 4 is an incredibly powerful storm.

Vice Mayor Anderson: Right.

City Manager Iglesias: When you're dealing with gust speeds of 160, 170 miles an hour, that's a lot of wind. And that's when missile damage occurs, things come apart. And the NOAA rates a storm -- Saffir-Simpson storm over 110 miles per hour as a major storm. And that's because that's where missile damage occurs and things start coming apart. So, if we're looking at a major storm based on NOAA, it's 110 miles per hour, Saffir-Simpson scale.

Vice Mayor Anderson: So, we had a couple examples of Category 5s that thankfully we weren't hit with. We had Ian and what was it, Dorian that was over the Bahamas and sat?

City Manager Iglesias: That was a scary storm.

Vice Mayor Anderson: How much would it take us to clean up from one of those? I mean, that was right on our doorstep.

City Manager Iglesias: I think it would be a lot more than cleanup at that point. You're talking about major damage to structures. Our canopy would be devastated. That kind of a storm is just -- it would be, I'm sure, over \$60 million, \$70 million.

Vice Mayor Anderson: Okay, thank you. So, I asked staff to put together a presentation to, you know, analyze the impacts of making certain decisions on utilization of the reserves for something other than what they were designed for because we didn't even use any dollars from the reserves, I learned, during COVID, which, you know, I'm very proud that our City didn't, that we managed within our existing budget and streamlined operations so that we could hunker down. And of course, our capital projects stopped at that time because we didn't know how long and what was going to happen with COVID. So, Diana, you've done a lot of work on this. I appreciate the time and effort you've put into it. So, I'm going to ask you to...

Finance Director Gomez: Sure.

Vice Mayor Anderson: Lead the show.

Finance Director Gomez: So, if he can pull up the presentation with F-5, with the Vice Mayor's F-5 item.

Vice Mayor Anderson: You need to read it in the record?

Finance Director Gomez: No, that's not it.

City Attorney Suárez: It's just discussion.

Vice Mayor Anderson: Yeah.

Finance Director Gomez: It's in the agenda.

City Clerk Urquia: Okay, I'll put it up. Tell them to put it on Zoom.

Finance Director Gomez: Was it? Sorry.

Mayor Lago: No worries. No, no, take your time. Okay. You want to take a five-minute break?

Finance Director Gomez: I'm just waiting for -- I don't know how long the presentation...

City Clerk Urquia: No, two minutes.

Finance Director Gomez: No, he got it.

Mayor Lago: Okay. Well, while we wait on -- while we wait on that, I want to also thank staff and take a quick moment to thank your team for doing a wonderful job. I know that we as a Commission have requested multiple accounts this week, along with the Manager, Public Works, the City Attorney's Office, the City Clerk's Office. In preparation for this meeting today, we've asked for a whole host of information, data from decades ago, to really find a way to build consensus on a litany of different issues. So, I wanted to say thank you, along with my staff, who worked the entire weekend to make sure that we can get everything accomplished and presented for today. So it means a lot. Thank you very much.

Finance Director Gomez: Thank you. That's what we're here for.

Vice Mayor Anderson: And I'll repeat that but frame it in a slightly different way. It's like when you're asked to jump, it's like how high. And you know, if I ask you, you come through. I mean, I know I do some of my own presentation materials, but you know, this was something I absolutely couldn't have done without you all taking the lead.

Mayor Lago: Yeah, like I was asking -- one of the things I asked for Billy -- I know Billy and my -- I was asking Chelsea also was to find this legislation here. We had to dig, dig -- I mean, it was available, but we did things a little bit differently back then in 2016. So, these are one of the many examples. Oh, there it is.

Finance Director Gomez: Yeah, I think it's a PDF.

Mayor Lago: No more filibustering and thank you.

Vice Mayor Anderson: No more filibusters.

Mayor Lago: No more thank yous for now.

Finance Director Gomez: I mean it's a PDF and so...

Vice Mayor Anderson: They deserve it though.

Mayor Lago: Yeah, I know, I agree. I agree, I agree. Madam Director, the floor is yours.

Finance Director Gomez: Are you going to flip it for me or --? Okay, yeah. So, anyway, so, okay, this is a discussion. This is related to Item F-5. This is a discussion concerning hurricane reserve amounts and accessibility of funds during and for disaster mitigation. So, as we all -- as a lot of us, if not most of us, can remember Hurricane Andrew, the Category 5 hurricane, catastrophic damage to Miami-Dade County, caused about \$57 billion of damage in today's dollars, in 2022 dollars, to Miami-Dade. And it would -- a similar type storm today would be about \$65 million. So, I just have a couple of slides and pictures of the type of damage that this hurricane caused. If you can flip through the next just couple of -- you know, everybody remembers Hurricane Andrew. Continue. Devastating damage, Category 5. And then more recently, we had Hurricane Irma, which was only a Category 1, and there was significant damage to our tree canopy. So, approximately, as the Manager just mentioned, \$22 million. Today's -- in today's dollars, that would equate to anywhere between 28 and \$32 million. And so one thing is that we do -- while we do get FEMA reimbursement for the majority of the costs that are -- there are some costs that are ours that we have to bear, certain percentages depending on the storm, as well as just waiting for the funds to come in. With Hurricane Irma, the storm in 2017, we started receiving reimbursement three -- it took three years before we started receiving reimbursements. So, we have to kind of front the money until -- for at least three years, and then we're six years in and there's still a little bit left that we have not received from FEMA on Hurricane Irma.

Mayor Lago: If I may, I just want to touch on that. I think that's an important -- that's probably the most important...

Finance Director Gomez: Sure.

Mayor Lago: Comment that anybody is going to make in this discussion in regards to this ordinance. We're still -- we're still going on six years and we still have not been made whole...

Finance Director Gomez: Right.

Mayor Lago: In regards to the last storm, which was a Category 1.

Finance Director Gomez: Yes, and in some things, it was be -- in some things, they won't reimburse us until we actually finish a project for a portion of it, but there's -- for what we call Cat A and Cat B, which is emergency protective measures and debris, there's about maybe, I want to say about \$700,000 that's still pending.

Mayor Lago: If I may...

Finance Director Gomez: Yes.

Mayor Lago: If I may, I remember very clearly every single year through the budget process, we would ask what's that line item that's basically a negative number and you would have to explain to us.

Finance Director Gomez: Yeah.

Mayor Lago: That's how much is owed.

Finance Director Gomez: Yes.

Mayor Lago: And it was millions and millions of dollars for years. Now it's \$700,000.

Finance Director Gomez: Well, now it's about a total -- in total, maybe about \$1.5 million because...

Mayor Lago: It was millions of dollars a year...

Finance Director Gomez: Yes, it had been.

Mayor Lago: That we carried that we didn't have to pay interest on.

Finance Director Gomez: Yes. And for the three years, it was near -- we had the whole amount outstanding.

Mayor Lago: Over \$20 million.

Finance Director Gomez: Yes, yeah.

Mayor Lago: For three years. That's a lot of money.

Finance Director Gomez: Yep. So, if you switch to the next couple of pages, it'll just show the significant tree canopy damage that happens to our city with just a Category 1 storm. So, just some pictures from Hurricane Irma. So, our current general fund reserves. So, as we've discussed, the current general fund reserves represents 25 percent of our operating and debt service revenue expense budget. And so it changes, obviously, every year to be 25 percent of that expense. Right now, it's currently just over \$50 million. And so this amount can cover just three months of lost revenues during an economic downturn or an economic emergency and allows coverage for two small storms, one large storm, two minor storms, one major storm. So, if we start using these funds for other purposes, it could then in turn result in insufficient funds to cover an actual storm. So, the -- one of the things that was mentioned a little bit -- I think it was mentioned a little bit earlier -- is that, you know, access to cash, you know, and during a storm, it's very important,

right? So, we -- there is competing re -- everybody's competing for the resources. So, if we have the cash available, if the...

City Manager Iglesias: And I think the thing is cash is king during these storms.

Finance Director Gomez: Right, so it's very -- it's very important to have access. You don't have to waste time in trying to find funds or redo your budget having that money available. So, it's -- you know, obviously, quick payment, as I'm saying here, it provides an advantage. And so it also does part of the AAA bond rating, they were very, you know -- we received our AAA bond rating after, you know, we had set up all these reserve policies. And so, with also with the 25 percent reserve or fund balance reserve, we can -- next slide -- you know, there's certain income that is generated from that, right? So, currently, right, just when this presentation was done, maybe it was Thursday or whatever, the current one-year Treasury rate was at 5.43 percent. So, that's -- every -- you know, for every \$10 million of fund balance, it has a potential to earn \$543,000 a year. So, all that revenue that is -- or the interest income that's generated from the fund balances is money that is available for projects or for anything that the budget would need in a subsequent year. So, the \$50 million, right, it does have the potential to earn \$2.7 million at the current rates. Now, we have to have cash flow and there has to be liquidity, so it's not that we just take every penny of it and just invest it for a full year. There -- you know, it's a staggered investment process that we do, so that we make sure that we have monies available in order to pay the bonds, to pay the bond payments, to pay for, you know, the pension payment, pay for many things, you know, biweekly payroll, right? We have to have cash available. We can't just take all the cash and put it into it, but in theory, you know, having that cash, we do get to invest it for a significant portion of the year. And so -- and then, as I mentioned, interest income is used for operating and capital projects in a subsequent year. So, there was discussion about possibly taking a line of credit and so I was asked to look into the costs of a line of credit. One thing that I did want to note is that the credit agencies don't see a line of credit as fund balance. It's not your reserve. It's not your money. Yes, you have access to money and that's great, but it's not considered our fund balance, per se. Or it isn't -- it's not seen as a replacement to fund balance. So, carrying costs for a line of credit varies, but roughly, if it is unused, it's anywhere between \$25,000 to \$40,000 per year. So, interest, if we do -- if we were to do a \$10 million line of credit, so annual interest is going to be somewhere between \$460,000 and \$530,000 depending on how -- depending on, you know, the rates at the time, right, so it's a variable rate. At this point -- so, everything, you know, at the time that I looked -- I got this information, this is where the rates were.

Commissioner Menendez: I have a question.

Finance Director Gomez: Yes.

Commissioner Menendez: The line of credit, let's say it's \$10 million, the interest kicks in once you take the money out.

Finance Director Gomez: Correct. So, you have an unused carrying cost. So, that's the first -- the carrying cost. A 25 -- so if we don't use it and we just sit -- and it's going to cost somewhere between \$25,000 to \$40,000 a year.

Mayor Lago: So, if I -- and if I may add a little more color, just so -- and this is one of the questions that -- not one of the questions, excuse me, one of the statements that was made by the president of the bank, of Grove Bank that I met with this morning, Mr. Cueto. He told me, Vince, it's not only the \$460,000 to \$530,000 a year that you're spending. Don't forget, it's also what you're losing by not having those \$10 million invested in the Treasury. So, it's five and change. So when you're looking at the numbers, you have to add what it costs to have the credit line open per year, along with what it costs to not having those \$10 million invested.

Finance Director Gomez: Right.

Mayor Lago: And how also that would negatively affect us in regards to our bond rating, which I think is, again, something that is important to us as the City of Coral Gables, which takes great pride in, you know, being as fiscally sound and responsible as possible.

Finance Director Gomez: Right. And so if...

Mayor Lago: It's a compounded effect.

Finance Director Gomez: Yep, and so if we were to take out the line of credit, so you would think that we would have to hold it for at least three years, like if we're using it for a storm, we'd have to hold it for at least three years before we get actual payments in from, at least three years, if not five years. But so obviously the interest expense for a three-year period can be between 1.3 and \$1.6 million in that three-year period, right? Because it does take at least three years, at least with the experience that we had with Irma, it took three years before we started receiving payments. So then another consideration is that we would have to budget for the semi-annual interest payment. So, we would have to pay -- we would -- even though the principal perhaps can be pushed to when we get the reimbursement, the interest payments are due most likely semi-annually. It just depends on the structure of the loan that we do.

Mayor Lago: But that number that you put there does not include the 5 percent a year, which is low, which should be about 5.5, if you look at the Treasury right now, which would be another \$500,000 a year that we would be missing out on...

Finance Director Gomez: Right.

Mayor Lago: That \$10 million.

Finance Director Gomez: Yes.

Mayor Lago: So, it's not really \$1.59 million. It's really over \$2 million that we would be losing -- excuse me, \$500,000 a year. It's really like over \$3 million a year...

Finance Director Gomez: Right.

Mayor Lago: Over three years that we would be losing because you would lose the opportunity...

Finance Director Gomez: To invest that money.

Mayor Lago: To invest that money.

Finance Director Gomez: Right, exactly.

Mayor Lago: So...

Finance Director Gomez: Yes.

Mayor Lago: It's a double whammy. It's a double whammy.

Finance Director Gomez: Right. And so that would be...

Mayor Lago: And by the way -- and also, and also if I may just add one last thing, when you take away -- when you take away from your reserves, if we have to go to market -- if we have to go to market for a project, whatever project that may be, if it's a fire station, if it's a public safety building and we lose our triple-triple bond rating for one form or another, we're going to pay?

Finance Director Gomez: So, that's only for new debt. So, our existing debt...

Mayor Lago: Right, that's what I'm saying, for new debt.

Finance Director Gomez: Yes.

Mayor Lago: For new debt.

Finance Director Gomez: For new debt, so it depend -- so if we were to lose our AAA rating, then yes, the invest -- the rates that would be offered to us would be higher than they otherwise would have been.

Mayor Lago: So it would cost us more money, correct?

Finance Director Gomez: Yes, yes.

Mayor Lago: So, this is -- there's multiple reasons why having this type of liquidity in the bank is not just \$50 million in the bank. It shows a level of strength. Another thing that you showed there, which again, is when you know -- when you're in the business world, the standard process is not three months. Your bankers will tell you, Mr. Manager, Madam Finance Director -- and please correct me if I'm wrong -- the bankers will tell you, like I spoke with the three different presidents of banks over the last two weeks, they will say, Vince, you need to have in a household six months of your bills to be paid. That's like the standard. The standard. Obviously, this country has fallen short. We have a lot of credit card debt throughout the country as a whole, and we have a lot of pension debt, and we have a lot of debt as a country, currently at \$33 trillion, over \$150 trillion in pension debt right now in this country. But when you look at that, three months in this City, when you're talking about we had to wait for the State three years to pay us back \$1, makes it a lot more difficult to navigate these treacherous waters. So, if you're telling homeowners they should have six months of reserves to pay their bills in case of a catastrophe, we are -- even though we have a lot of money and we're -- more than other cities who have 20 percent, we're only saving for three months. Again...

Finance Director Gomez: Exactly.

Vice Mayor Anderson: So, I'm just going to add -- because it was an unsolicited comment. I was at the Community Foundation meeting and I give them, you know, an update of these are some of the items coming up on the agenda. And when the issue of touching the reserves was posited, the person said, oh my God, that's going to affect the City's credit rating. Okay, using the reserves for things other than that is a problem. So, as you can see, nothing's free.

Finance Director Gomez: Right.

Vice Mayor Anderson: There's a lot of cost involved in doing these things. So, I'm going to let the staff continue the presentation and focus on the numbers and the real cost here and how many projects we're going to lose out on in the future if we go down this road.

Finance Director Gomez: Right. So, yeah, so with -- so had we -- you know, if we take out a \$10 million line of credit, you know, over the five years, and maybe we'd have to have it out. It really just depends on repayment. You'll see that, you know, that could cost somewhere between 2.3 and \$2.6 million. And then so talking about hurricanes and the possibility of storms, obviously there's, you know, and the importance that's been brought up a lot regarding the City Hall impact windows and how important it is. And so just as a side note, you know, that putting the hurricane impact windows on City Hall will also give us savings in our insurance. So, you know, we did try to get a more finite number from the insurance companies. It's kind of difficult for them to just give us an exact number, but they did tell us the estimate is about \$15,000 annually. So, you know, that is something that, you know, savings in putting in the impact windows as well as, you know, preserving this historic building, right, so we need -- that's very important. So, overall, you know,

the 25 percent emergency reserve numbers, you know, it does represent years of savings. The City has been working at this for many years to try to get the reserves up to cover, you know, up to this point of 25 percent reserve. And you know, it covers the cleanup, obviously, if we have a major event or something to restore all of our City resources, our streets, our buildings, things like that. That's what it's there to help. When we came up with a 25 percent reserve policy, you know, we designed it at that amount, just at the 25 percent mark because we figured at that time it was enough to cover two small -- two minor storms and or one major hurricane in a given year or actually subsequent years because if -- you know, if you have two small storms back to back, you know, in different years, you know, we have the funds available. We don't have to worry about going out to get extra funds. We don't have to rearrange the budget in order to be able to cover the costs associated with the cleanup and things. And or it also covers three months of lost revenues during some kind of economic downturn or event. So it's -- so yes, while we were able to manage the budget during COVID and do some budget cuts and free some things, we knew that we had reserves on hand should we need it. And while with COVID, it was -- the reimbursement was very quick. So, we probably did have to immediately dip into fund balance a little bit, but it was replenished right away because we got the money back from COVID almost immediately. That was not a three to five-year turnaround, at least at that event. We were able to reim -- you know, get the funding back on that. And then -- next slide -- the -- you know, and so when we developed these policies, this 25 percent reserve, it was one of the main -- again, we developed this policy as well as the early repayment policy to the pension system and then we received the AAA ratings back from the rating agencies at that time. And so, you know, they gave us those -- if you would read the comments, the write-ups that the rating agencies gave us, it's because of our sound financial planning, because of our financial integrity and stability and our fiscal sustainability that they felt that we could have -- and we were deserving of that -- of those AAA ratings. And so, and another thing is that it is -- you know, residents and companies, businesses, they come here because of it, right? We're a -- it's a prestigious city. You know, we have our finances in order and it's something that they come to this city and want to be part of this community because of. And so then the last slide is just kind of shows like a comparison of like if we had -- like the costs associated with the line of credit. So, if it's an unused line of credit, it's right over 10 years because that's how long it would take us maybe to replenish our fund balance or -- and it would cost us anywhere between 5.5 to \$5.8 million dollars between lost interest income and the carrying costs. And then if we used the line of credit, right, and we're saying pay off in five years because we should get FEMA money significant enough to pay it back, the interest costs that we would pay - - like there would be no carrying costs because once you pull it, there's no carrying costs, but you pay the interest costs. So, based on the interest rates that exist right now, that's roughly what it would be over five years. But again, it's a variable market. We don't know where rates are going to go, right.

Mayor Lago: Where -- but from this morning...

Finance Director Gomez: They can go up or down.

Mayor Lago: It's about 8 percent.

Finance Director Gomez: No, right now -- because we are tax-exempt and we carry AAA, our rates are somewhere between 4.5 to 5.25, yes.

Mayor Lago: For a...?

Finance Director Gomez: Yes.

Mayor Lago: For an equity line or...?

Finance Director Gomez: Yes.

Mayor Lago: Okay, good. Great, perfect.

Finance Director Gomez: 5.32 was the highest rate that I was quoted.

Mayor Lago: So...

Finance Director Gomez: Because remember, it is tax-exempt. The primary goes into effect when it's taxable.

Mayor Lago: Perfect. If I could just say one last thing on this front and then I would love for my colleagues to give me their advice and their opinions on this matter. When we came up with a resolution in 2016, which was for the 25 percent reserves, this was a unanimous decision. This was 5-0. I moved it and it went down the line and it was 5-0. What I would love to see is I would love to see all my colleagues on the dais join me in this ordinance and make a bold statement in regards to, we're not going to play politics, we're going to address this issue, we're going to shore up our financials for the certain future when we're not here, when somebody else is in this seat leading this great city. This is an opportunity to address issues that, in my opinion, are critical and, like you said, could cost the City, you know, millions and millions and millions of dollars one way or the other. Either we can continue to make a few million dollars a year on interest, like we do, or we can tap this resource that has taken over ten years to build up and continue to preserve it, which will pay dividends for this city in the future. It's not only about the money, it's about the optics. And once you touch these reserves, I think it's damaging for our optics because it shows that fiscally we're undisciplined and it shows that we're in a position where, again, people joke that I say winter is coming. Listen, summer is coming. And what do I mean by that? Don't take my word. I'm not a scientist. Look at what scientists and what meteorologists are saying every single day. They're saying that storms are becoming more violent. They're saying that we're seeing more storms and that this is not changing. These are -- it's out there. We are not climate deniers. We believe in sea level rise. We've taken extraordinary stands here in this Commission to put forth and pass Commissions to put millions of dollars away a year to ensure that we have a

piggy bank of potentially \$100 million to address issues of sea level rise. And as you see, they continue to state that storms are getting stronger, oceans are getting warmer, which are breeding grounds for these storms. I think it's incumbent of us to ensure as more storms come and more opportunities of disasters we are forced to face with over the upcoming years that we have at a minimum the \$50 million reserve in our back pocket to ensure stability. And like you said, it took us three years to get paid back a portion, to start getting paid.

Finance Director Gomez: Exactly, about 50 percent of -- yeah.

Mayor Lago: To start getting paid 50 percent. Why put the City in a position where now we have to pay a credit line and not be making, over those three years, millions of dollars that we could be making in treasuries? Madam Vice Mayor.

Vice Mayor Anderson: I have a couple...

Mayor Lago: Thank you, by the way. And I appreciate everybody listening to me. This is something that I'm passionate about, and I think it's something that we have an opportunity to send a strong message to future leaders here.

Vice Mayor Anderson: So, before we leave the last page, but you still have it there, we have both the lost interest for the money of \$10 million plus, you have, you know, when you draw upon it, interest to pay. So when you add the two figures together, we're really talking about more like 7.7, \$7.9 million, almost the amount of reserve that has been contemplated to be used will be lost forever. It'd be wasted money, totally wasted money. So, I remember Dorian, you know, very vividly because I also had some window of what the devastation was afterwards because I was working on mangrove projects with folks and every single mangrove on the Bahamas Islands was ripped out. Some of the mangroves that were raised by our community and given to a 501(3)(c) [sic] were shipped over to the Bahamas to do restoration work. All the mangroves from Big Pine Island down in the Keys were also damaged because those created the dish that protected the higher area that protected the pine trees from the salt water. These are devastating hurricanes. We know they're moving slower. The amount -- you know, it's like a wire, you know, you bend it once, you bend it twice, you bend it three times, the amount of devastation, it breaks after so many bends. The same thing happens with the trees, with the winds constantly coming and just sitting on them. We got a little taste of that, a little taste of it, from Irma. Plus it spawned a lot of tornadoes. We don't know what the future is going to bring, but we do know one thing, and it relates really to a discussion I had with my husband early in our marriage. Credit cards are not a savings account. This money is precious. It is our insurance for the future that we will be able to address our residents immediately. We were able to get trucks down here despite the fact that there were multiple cities that were hit when Irma hit in New Orleans area and so forth only because we had the ability to pay immediately. We didn't have to wait for the bank to get the lights on. We didn't have to wait for the bankers to get back in their offices and process, you know, the credit lines, et cetera. We didn't have to wait for the processing. Those contractors responded to us first because

we had the ability to pay immediately. I've gone up, as you all know, with the rest of the Commission on the legislative sessions. I've heard the comments directly from the mouths of our representatives that this reserve and the fact that we maintain it and protect it is a big factor in their decision-making process as to providing appropriations for our city. They appreciate cities that are fiscally sound and manage their monies properly and not always coming and begging for money because they misspent it or unwisely managed it. If we want to continue to have that reputation in Tallahassee, we have to maintain these reserves and protect these reserves and use them for what they're designed for, true emergencies. Then you have the factor of reality. It's common sense. We only have so much bandwidth to get projects done. And projects take planning, whether you're talking about traffic calming. You have to have the ballots. We have multiple projects that overlap each other, the septic to sewer. The hope I have is to have them roll out and then put in the traffic calming simultaneously so we're not paying for traffic calming and then repaying, you know, increasing expenses for our city. If you're going to rip up the road, let's rip it up once. And I know that may not be possible everywhere, but we can strive to try to be good fiduciaries of taxpayer dollars and not waste them. So, planning has to be done, like every project. You have to plan well in advance, whether we're talking about Biltmore Way, which we haven't even had the next session of public input in to hear what they're interested in and deal with the structural challenges that we're going to have on the block that the David Williams is on. And plan it right. So, I'm just going to touch upon sidewalks before I -- you know, for the final comments. We have substantial monies already set aside for sidewalks expansion this year and, you know, I know it's my intention to continue to fill that coffer every single year, but there's only so many they can do per year. It's a very time-consuming process. By the time they rip it out, take the roots out, make the forms, do it between rainstorms -- because sometimes they have to redo them when it doesn't, you know, the storm comes in quickly and unpredictably. There's just a lot of moving parts to that. So, I still have equipment and so forth on one road in our area because, you know, there's a lot of area that we need to do with sidewalks in. We have over -- Manager, you know these figures off the top of your head, 1 point what?

City Manager Iglesias: We have between 10 to \$12 million worth of repairs.

Vice Mayor Anderson: No, no, no. In what we have in our budget this year?

City Manager Iglesias: We've got...

Vice Mayor Anderson: One point...

City Manager Iglesias: Total sidewalks, about \$2 million.

Vice Mayor Anderson: \$2 million, plus then we have sidewalk expansion, about 900 some and change.

City Manager Iglesias: And then we have the ADA.

Vice Mayor Anderson: And then we have the ADA extensions, you know, to make everything compliant. We have a lot of money already there. The trick is going to be can we use it up in one year because so far what I've seen is, you know, we've been having difficulty getting contractors, been having difficulty getting the cement. You know, we only have so much bandwidth -- and that's what I call it, bandwidth to get this done. There is supply and demand and so forth and we have to properly plan and logically get it done in order to be able to have the contractors available to move forward. So, that's my final comment and I'll let you all proceed.

Mayor Lago: Commissioners.

Commissioner Fernandez: Well, thank you to staff for putting up this presentation and the hard work. I know it was a lot of work to put it together. And thank you, Vice Mayor Anderson, for working on this. To say that if we don't vote unanimously on this is not sending a strong message is disingenuous. We will not disagree on it. We will not agree on everything, but there are things we agree on. The City's financial stability is something we agree on. I've spoken to folks in Tallahassee and the message they've sent is maybe the City should use some of its money to address some of those projects and show that the City's willing to put some skin in the game. When it comes to the money in the reserves, we're not talking about depleting our reserves entirely. The industry standard is 17 percent in the reserves. We're way above that. We're at 25 percent. The proposal that I presented last Commission meeting -- and we're not even going to be discussing it today, it will be discussed next meeting, so I'll have more data for you at that point. But the cost of inflation is something that often is not factored in. The cost of inflation, since 1959, the average has been 0.0375, so 3.75 percent. When you start adding it, over three years, \$10 million is worth \$1.17 million less than it is worth this year. And as I've said many times, we have an opportunity now to address projects that residents have been clamoring for. Telling a resident -- I mean, the Manager said -- how many -- what's our total sidewalk need right now?

City Manager Iglesias: It's over 10 -- if we do it all, it's over \$10 million.

Commissioner Fernandez: So, it's over \$10 million. We're putting -- in this year's budget, we have?

City Manager Iglesias: About \$2 million.

Commissioner Fernandez: About \$2 million. So, that means we're telling residents who have a broken sidewalk in front of their home where people are falling down and it's a liability to the City, we're going to do that in five years, or maybe six years, or maybe seven years. We have to start tackling these projects now. These are projects that have been neglected for many years. The windows here at City Hall, the Alhambra Water Tower, these are priorities that we as a Commission, I think have agreed, are a priority for us. We have an opportunity, without breaking the bank, to take a small portion of the reserve to address some of these projects and use the money

when it is worth the most. Right now, the dollar is worth a lot more. And as far as sidewalks, I didn't put this in here by simply just coming up with a random number. This is a conversation that I had with our Public Works Director, and I asked him, physically is it possible to accomplish how many sidewalks, and that's how we came up with the number that I proposed last meeting. He believed we have the bandwidth to accomplish that many sidewalk repairs over this fiscal year. So, we're not talking about, you know, just taking money and putting it aside and taking it out of the reserve in order to address projects. No, we're actually going to put it out to work for the residents, who are the ones we represent. As far as this piece of legislation, I understand this is election change 2.0. You lost the election. You got two people on this Commission who think differently, think way differently than the Commission did in 2015 when they voted unanimously. And now all of a sudden, you want to raise the bar just to make sure that the changes that residents are behind and want to propose don't get done. I think this is simple. I'm going to make a motion to close the debate on this issue and move the question for a vote.

Commissioner Castro: I second.

Vice Mayor Anderson: Mayor, if I may.

Mayor Lago: Yeah.

Vice Mayor Anderson: A question for the Manager. I just went back and pulled up some of my figures. In the current budget, we have \$1.8 million available for sidewalk repairs. How quickly can you utilize those funds and exhaust them completely this year, in the next 12 months, contractors, materials, the necessary pieces that it takes to get the sidewalks repaired to this level?

City Manager Iglesias: I think, Vice Mayor, it's a complex answer. We're not dealing with, in construction right now, with inflation. We're dealing with escalation, which is totally different from the inflation issue. Our projects do not go up 60 percent because of inflation. Inflation is not 60 percent. So, we're dealing -- we're proceeding with Firehouse 4 because we have \$1.5 million for the piece of property and we have a \$975,000 grant from the State to pay approximately \$100 per square foot from that grant. I've been through this before. I've been through this in 1980. It's -- is it better to build now than later, it's hard to say. It's hard to say because we're not dealing - we -- our country came to a stop for two years, it's kicking back up again, and so construction is slowing down. Numerous large projects are slowing down. So, is it better to build now than later? Difficult to say, because we're not dealing with inflation. We're dealing with escalation, which is two separate things. Our furniture on the Mobility Hub went up from \$43 million to \$65 million. That's not inflation. We could have dealt with 7 percent inflation, right? So it has been difficult to get materials. I can tell you that working on the Minorca Garage, we got material from six or seven different -- we certified six or seven different concrete companies to get materials. It's a difficult time to work now. And however, I do -- we do see construction and I've asked -- and I've looked at major projects slowing down. The fact that the interest rates are going -- the prime rate is 8.5 percent. So, it's a difficult question to answer right now, but getting materials has been

difficult. And the -- our easiest project would be replacing existing sidewalks. That's the easiest one because we don't have to deal with residents, we don't have to deal with polling, et cetera, et cetera. We can go in, replace the sidewalk and move on. And even that has become difficult. So, it's a difficult question to answer. I do -- as far as bandwidth is concerned, that's probably the easiest place to spend it, but it has been difficult and I'm not sure we can.

Vice Mayor Anderson: So...

Commissioner Castro: I'm not sure if you guys heard me, but I seconded the motion.

Commissioner Castro: So, Mayor...

Vice Mayor Anderson: I heard.

Mayor Lago: Madam...

Commissioner Castro: Mayor, can I clarify?

Commissioner Castro: Oh, okay, okay.

City Attorney Suárez: There's been no motion on the Item E-4, so you know, there's no -- it's not appropriate to make a motion to close the debate because there's been no motion on E-4. So, I...

Commissioner Fernandez: I did. I motioned to close debate and immediately call the question to a vote.

City Attorney Suárez: So, all motions shall be made and seconded before debate is what our Code says. And then once there's a motion on that, typically, you know, we could have the debate. And then after that motion and second and debate, then someone can make a motion to close the debate.

Mayor Lago: So...

City Attorney Suárez: In addition to that though, Mayor, there -- this is a public hearing item.

Mayor Lago: Yeah, so if I may, if I may. This doesn't have to be a contentious issue. What we're talking about is just about City finances. We may disagree on it, but there's no need to close the debate. We should want to talk about this issue, and I'm more than willing to talk about it as much as we need to before we go to lunch. I know everybody's hungry. I'm starving, but I don't know what we're having for lunch, but this is an important topic, and my colleagues view it as an important topic, and I think it's refreshing to have this conversation. So, I just have a few simple questions for the Manager. This is what I do every single day for a living. I think one of the biggest issues we're having is a labor shortage, correct?

City Manager Iglesias: Yes, we are, Mayor.

Mayor Lago: So, materials are important, yes, and materials like switchgear are 20 months out, 25 months out. It's a -- excuse me, 25 weeks, I apologize. But labor is a major issue along with concrete. So, even if we did take all this money and we infused it immediately to the projects that are being proposed, Biltmore Way is an issue that is going to take potentially two years in between all the discussions that we have, the studies, the design. It would just -- that money will be sitting there in an account for two years, correct? I mean, do you agree with me or no?

City Manager Iglesias: Biltmore Way has a -- it needs -- it's a lot of resident input to do Biltmore Way.

Mayor Lago: Yeah, so -- but again, I'm not saying that these are all -- these are all priorities. We all agree they're priorities. We need to address them. When you talk about infusing money, what do I think is the easiest ones to address? The windows. The windows are the easiest ones. Take it to a few different boards, you release them, and you've got to wait, what, what do you think, 20, 24 weeks?

City Manager Iglesias: Six months.

Mayor Lago: Six months. So, 24 weeks, so we would be, in six months, having the windows here. That's why I think -- and that's why I think it's a good opportunity to move some monies around from existing projects that are going to take another year, like we will be talking about Phillips Park later, where that wouldn't affect the timeline of the project in regards to construction because we have an extensive amount of public outreach that's going to happen now. We have to go to design, then we have to go to permitting. So, we're talking about potentially a year to a year and three months, a year and four months before that project would even start breaking ground after we've identified a contractor and we've bid and we've gone through the procurement process. So, I think what we should do is prudently review the projects that we want to attack. You have an item on the agenda, Commissioner Fernandez, which I want to be involved in because we've always done budgeting together as a Commission. We've always named what is important and what is not. So, to name one Commissioner over the entire Commission, I don't think is appropriate. I understand and I value your enthusiasm, but I'd like to be involved in that conversation. And I'd like to have 15 town hall meetings and 15 public meetings to discuss that before we go to the agenda. I don't think one Commissioner should be named to handle eight projects and make a decision based on, you know, what moves forward, what doesn't move forward, how are we going to fund it, how are we not going to fund it. So, going back to a comment that you made that I think that -- I don't think you meant what you said. I am not trying to do anything campaign related here. I'm trying to make sure that the future of our city is put in a position that we put our best foot forward. In 2016, we did the same thing when we memorialized our 25 percent mandatory restricted reserves. That wasn't a campaign ploy. That was an effort

by the Commission to ensure that we were head and shoulders above any other municipality in regards to fiscal stewardship and responsibility. So, moving forward, before we make a decision to take \$10 million out of reserves, I would like to see a plan of how we're going to use this money, when are projects going to be delivered, when are we going to get an architect, when are contractors going to be acquired, how is that process going to be? Is it an RFP? Is it an RFQ? What insurance are we going to require? How long are the lead times? How long is it going to take for procurement? How long is it going to take for design? How long is it going to take for permitting? All these things, to me, is what -- the way that we work things in the private and the public sector in regards to handling major projects of construction. And this is what I do for a living. I have a little bit of an understanding. So, why take \$10 million out of a mechanism that is making millions of dollars for us invested, when next year you can come up with a plan, present it and say, this is what we're willing to do. This is what I see as a schedule over the next 10 to 24 to 12 to 24 months moving forward on how I can deliver on injecting these \$10 million. Maybe you have a change of heart. Maybe you don't need \$10 million. Maybe you don't need \$2 million. Maybe you need \$3 million. Maybe you see that cost of construction goes down because labor goes down. I will tell you, again, through my experience, this market is changing rapidly and it's going the opposite direction. Projects are being abandoned left and right and you're seeing a lot more contractors coming into the public sector where they abandoned it for years because the private sector was so lucrative. Now they're rushing back to, you know, higher learning, municipalities, counties, because when there's a downturn in the economy, those are the institutions that have the money because they have reoccurring revenue based on their tax base. So, I'm just putting my two cents out there. I would appreciate if -- and what I said about -- by the way about the Commission doing this together, it's not disingenuous. I think it's a good thing for us to step up together and instead of bickering over certain things, I think we can be in line with trying to do something that sends a strong positive message to the community and says financially, financially we're going to stand together like we did in 2016, when by the way, say one last point, one last point, and that is that in 2016, it was a very, very difficult piece of legislation. Why? Because I don't have the numbers here, but our Finance Director could potentially dig it up. When you in 2016 decide to say, I'm going to go from 16, 17 percent funding in my restricted reserves to 25 over a five-year period or a four-year period, you have to tighten your belt and you have to start stocking money away that you can't spend on projects. So, we did that. We did that and we said instead of going out there and spending it on projects that we so sorely needed, we said we're going to address this just like we're doing with our unfunded liability and how we've increased every year the payment that we're making to pay it off even faster. So, I -- my point was very simple. It's let's do this together. Figure out a plan, and that's what you bring forward, a plan that actually shows deliverables and a schedule on how this money will be used. And hopefully, in a year, maybe prices will go down. I think they're going to go down because there's going to be -- there's more competition in the market because there's a lot less work in the market. And that's what I'm seeing in my industry. Thank you. By the way, I appreciate you listening to me and giving me an opportunity to voice something that I think is really important in regards to the issue of the future of the City in regards to our financial future.

Commissioner Fernandez: And again, I don't disagree on the fact that...

Commissioner Castro: Just a quick...

Commissioner Fernandez: We have to have and show a strong financial future for the City, but this legislation does not do that. This legislation says I don't trust my colleagues to vote the way I need them to vote. That's what this legislation shows, and it was put forward by you. You want to change the threshold. This has been done in Cuba, Venezuela, Nicaragua. The totalitarian leaders like to change the threshold when it is inconvenient for them. But this is a democracy. Residents elected five individuals to work together. And it's not raising the threshold to make sure the residents didn't elect four of them to side with them so they can't get things done. We have a process in place. I stand by the process we have in place. It requires an ordinance that would be -- that would have to have two readings and it would require three votes in approval. Again, I stand by it. And my commitment remains firm on making sure that we have a strong financial future for our city.

City Attorney Suárez: Mayor...

Mayor Lago: Commissioner, if I may respond, just one second. Again, coming from parents who came to this country with nothing from a totalitarian regime to be -- to even be mentioning that here in a democracy, I think to me is -- again, we're trying to work collaboratively in the spirit of bringing something good to the City. There's an opportunity here, just like throughout policymaking here in the City, where at certain times you need three votes, certain times you need four votes. For example, when you're adopting the millage rate in our city, you need four votes, right, Madam City Attorney?

City Attorney Suárez: Correct.

Mayor Lago: So...

City Attorney Suárez: Well, actually, it depends on the actual...

Mayor Lago: I know, but again, it depends on the threshold. I get it, but you do require four votes in most instances, correct? My point is that it's a simple thing. It's a call for support for an item that I strongly support and that I strongly believe. That's all I'm asking. I'm not asking for you to agree with me. I'm not asking for you to disagree with me. But I'm just asking you to respect my legislation. It has no ulterior motive at all and the intent is just to strengthen our city and put us in a very strong financial footing. Our manager, our manager and future managers, if this were to pass, have every ability to navigate these waters in case of an emergency. And if the Commission at that point would like to come back and would like to tap the reserves, the restricted reserves for one reason or another, they have every ability to. They would just have to have a four-fifths vote. That's the intention of the legislation and I welcome debate on it and I would love to

hear from Commissioner Castro. I know she's been trying to get in and say a few things and I apologize. It's a little bit difficult. We -- you're on Zoom. Go ahead, Commissioner.

City Attorney Suárez: Actually, Commissioner Fernandez said exactly what I was just going to say, so that is fine.

Mayor Lago: Commissioner Menendez.

Commissioner Menendez: I have no comment other than the gloom and doom weather forecast that anyone building an ark hold off. But no other comment.

Mayor Lago: So, if I may, is there a motion on the floor?

Vice Mayor Anderson: I'll move it.

Mayor Lago: Do I have a second? I'll move...

City Attorney Suárez: You can second, Mayor.

City Clerk Urquia: You don't have to, Mr. Mayor.

Mayor Lago: It's fine. I know, but we'll do it. I'm a second.

City Clerk Urquia: Okay. I do have public comments on this item.

Mayor Lago: Of course.

City Clerk Urquia: Maria Cruz.

Maria Cruz: Maria Cruz, 1447 Miller Road. I've said it many times, I'm going to say it again. Elections have consequences. We're trying to reverse the election right here today. When you passed that legacy legislation of 25 percent, you did not say 4-1. Oh, no, because you didn't need it. But now you're faced with a commission that is not lockstep with you. Now you have a commission that has a brain and thinks. Oh, but now they don't know enough so we have to tie their hands. I'm sorry. There is no reason to change this away from a majority vote. That's what the people that voted, voted. They elected two people that changed the logistics here. And thank God we have another one that is coming to terms, thinking and not allowing the bullying and the threats to become a reality. Enough is enough. I'm sorry, I am trained in parliamentary procedure. There is no way that a chair should have been debating and presenting his ideas and taking most of the time when there's other people here. If the chair wants to defend his position, should have passed the gavel to somebody else. I'm sorry. It's time to do things the right way. We're not little children. We're adults. We know what's good. Elections have consequences.

Mayor Lago: Mr. Clerk.

City Clerk Urquia: Next speaker, Saralane Conde. She's through Zoom.

Mayor Lago: Ms. Conde, good afternoon.

Saralane Conde: Hello. I just wanted to say that I've listened to this conversation talking about how we want to be very fiscally responsible, understood. Also, we have a lot of projects online. The more we wait, the more the prices for those projects go up. So, I guess my takeaway from this conversation is that I don't feel that we should be lowering the taxes, lowering the millage. I think that that might be a little step in the less than responsible direction. And that'll be all. Thank you very much.

Mayor Lago: Thank you.

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

Mayor Lago: Perfect. So, we have a motion and a second on the floor.

Commissioner Fernandez: No.

Commissioner Menendez: No.

Vice Mayor Anderson: Yes.

Commissioner Castro: No.

Mayor Lago: Yes.

(Vote: 2-3)

Mayor Lago: Thank you very much.