Board Approved

CITY OF CORAL GABLES BUDGET/AUDIT ADVISORY BOARD

Tuesday, July 19th, 2022, 8:00 a.m.
Location: City Hall Commission Chambers
405 Biltmore Way, 2nd Floor, Coral Gables, FL 33134
Public via Zoom: Meeting ID: 814 3489 7118

MEETING MINUTES

MEMBERS	A	S	O	N	D	J	F	M	A	M	J	J	APPOINTED BY:
	21	21	21	21	21	22	22	22	22	22	22	22	
John Holian	-	P	P	P	-	A	P	P	P	-	-	P	Vince Lago
Francisco Paredes		P	P	P	-	P	P	PVC	P	-	-	P	Vice Mayor Michael Mena
Javier Banos	-	P	P	P	-	P	P	P	PVC	-	-	PVC	Rhonda Anderson
Matt Martinez	-	P	P	P	-	E	P	P	P	-	-	E	Jorge Fors
Carmen Sabater	-	P	E	P	-	P	A	P	A	-	-	E	Kirk Menendez

(Dash indicates no meeting: blank space indicates member not yet serving.)
^ New Member | #- Special meeting | **- Resigned Member | PVC – Present Via Video Call
P – Present | A – Absent | E - Excused

City Staff:
Keith Kleiman, Assistant Finance Director for Management, Budget & Compliance
Diana Gomez, Finance Director (via Zoom)

Call to Order:
The meeting was called to order at 8:19 AM by Frank Paredes. The roll was taken, and an in-person quorum was not established since one member participated via Zoom. The meeting was also available on Zoom for public access.

Meeting Minutes (Deferred Item):
Approval of the BAB minutes for the meeting held on April 27th, 2022 was deferred to 09/07/22.

- **Discussion: (New Business) – FY2022-23 Budget Review**

The workshop was facilitated by Keith Kleiman who discussed the details surrounding the 2022-23 Budget Estimate. A calendar highlighting the division's priority commitments with their respective deadlines was also shared. The first significant financial comment was made on annual revenues at $217M with a transfer from reserves of $13.4M with total revenues at $230M. Operating expenditures are projected at $190.5M, Capital at $26.3M with debt service at $11.4M for a total of $228M. Transfers to reserves amounted to $1.8M for a balanced budget of $230M.

Mr. Holian questioned the origin of the $13.4M. The majority is from a FY21 surplus of approximately $9M that were generated by the soft reductions set aside during the pandemic in addition to the significant budget cuts. Frank Paredes questioned if this was part of the 25% reserve. Keith explained that the 25% reserve are emergency funds and exclusively used for catastrophic events.

Javier Banos stated the underutilization portion of the budget for last fiscal year is in essence the reserve fund and questioned if the $496 under Trolley Fund was from the grant. Keith explained that the surplus was due to unanticipated allocations from the Citizen's Transportation Trust (CITT). When CITT collects more funds than the original estimate, the funds are distributed to the municipalities at the end of the fiscal year.

Mr. Paredes questioned the $1.669M which is a one-time fund surplus left in the General Fund however we moved the majority into the Capital Improvement Fund and left some for one-time items. Mr. Banos questioned whether the $183K under the Retirement System Fund is part of the $1.0-$2.0M stabilization fund but, it is not. This pension fund is exclusively funding the administrative division.

Continuing with the pension topic, Mr. Banos shared his concerns about the stock market's volatility and its impact on the pension fund which suffered significantly in Q1 and Q2. He questioned if the City plans to increase the fund or if we have alternate plans. As a general rule, the City does not react immediately to market swings because any decreases in its market value is smoothed out over five years which is part of the pension process. Hence, the pension stabilization fund will not be increasing, and its current balance is $1M. Mr. Banos is concerned that the current snapshot does not depict accurate numbers and is of the opinion that the City contribute to the fund as a protective measure. Mr. Holian added that during the last two years the market behaved well above average allowing for dips in the market further supporting the average over the five years. It is definitely a negative market but not the case when averaged over a five-year window. This is a long-term cycle, and as long as we continue to monitor it, there is no need for a knee-jerk reaction. An $8M+ contribution to the pension plan is projected which will help to pay for any changes.

Director Gomez explained how recent gains have provided sufficient room to absorb a loss in the current year so the actual annual contribution will not go up if the loss is less than 4%. A loss in one year will not necessarily affect us because of the 5 year smoothing. It would take multiple losses over several years to raise a concern.

Keith continued with a detailed explanation of revenue increases for all funds highlighting the Property Tax increase of $7.3M based on the June 1st estimates is the largest contributor followed by the Country Club at $2M. Although the Parks department's estimated Country Club revenue as higher, a more conservative approach was applied estimating revenue at break-even to planned expenditures. Full year is estimated at $4.8M. Too many unknowns at this time to show surplus as anticipated by the division. If the Country Club does not break-even, the General Fund will have to absorb the loss.

Permit Fees are restricted and will go into the building fund. Excess Parking fees will be used to train the budget to handle the debt service for the new Mobility Hub. The Parking fee increase is a combination of final recovery from the pandemic as well as a return to the normal increasing demand for on-street parking which is doing exceptionally well as the restaurants are up to capacity. The garages have not fully recovered due to remote work conditions from the pandemic. ***Mr. Banos made a request to obtain the breakdown for the increase in parking fees, Garages vs. On Street Parking vs. Parking Lots from year to year.*** $600K of the $783K increase in parking fees will be used to cover debt service. The increase in Franchise Fees of $515K comes from both recovery as well as the more typically upward annual trend. Stormwater Fee increase is restricted to the Sea Level Rise Mitigation Fund which started in 2017. Mr. Paredes questioned the General Fund Investment Earnings increase. Keith explained that this is interest earnings on available cash and that the city is projecting the number on the conservative side but anticipates we will make more due to the spike in interest rates. Restricted Sanitary Sewer Fees will fund Capital and Debt Service. Total increases amounted to $15.4M although a large amount will offset itself with other revenue decreases that will follow in narrative.

A brief discussion ensued with regards to property taxes. Keith said that the significant increase in taxes is still only the 4th lowest percentage in the County. This is due to the stability of the property values in the city.

Keith continued with an in-depth explanation in decreases to the revenue stream. However, in trying to understand its flow it is important to note that the city compares the amended FY22 budget to the estimate for the next fiscal year. We do not compare the adopted budget from last year because there have been significant changes to it, and some items are not recurring. Although some of the reductions appear to be significant, we compare recurring to recurring. And, to provide further clarity, the CM has instructed us to remove the $39M of the Mobility Hub projected proceeds from debt so a true comparison can be made. The difference between the two fiscal years is a net increase of $15M.

Mr. Banos questioned the Sale of Land & Building - the Greco Lot on Le Jeune Road. As well as the money for the sale of the Doctor's Hospital lot which a receivable has been established and should be coming in.

Expenditure changes under salaries amounted to $3.2M with a minor adjustment to overtime of $1.4K. Under employee benefits, the retirement payment will increase by $500K. Javier Banos questioned if the increase is driven by new hires. He also questioned if the budget includes a proposed increase in firefighters. Keith explained that it does not, but a discussion is pending with the CM and the Fire Chief so the details will be forthcoming.

The salary amount includes contractual obligations the city has with collective bargaining plus provisions for a very tough hiring market. A good number of our salary ranges are at the bottom of the market, and we have had to match the market for some positions to either keep personnel or draw them in. Mr. Banos discussed on-going talks of staggering new hires within the fire department over time and whether this was part of the total. Although it is not included in the total, Keith said it may be in the next iteration of the budget, sometime in September. There is nothing official in this budget for any changes in firefighter staff. Discussions with the Fire Chief have taken place however we have yet to define what he intends to propose to the CM. Until then, there is no public information to share. Mr. Banos asked if the Advisory Board can make the recommendation to add at least one or two positions in accordance with their recommendation, provided the Fire Chief agrees. The board, with a 3 of 5 vote can make the recommendation. ***Javier Banos has asked to include as an Agenda Item for the next BAB meeting scheduled for September 7th, 2022, a discussion and vote on recommending an increase of 1-2 fire fighters with the caveats put forth.*** Director Gomez informed the Board that all BAB discussions are shared with the CM. Additionally, Ms. Gomez suggested that each board member advise their respective commissioners their thoughts with regards to our reviews of the topics at hand.

Director Gomez clarified the impact to the pension plan by new employees citing they do not necessarily cost more to the pension because their normal cost fall within the city's regular contribution. The only time a liability forms due to a new hire is over time if there are significant losses in subsequent years. The legacy costs and unfunded liability that we are paying off does not increase by the impact of a new hire because their normal contributions cover themselves. A good percentage of new hires now opt for the 401K which is just a flat amount the city pays – there is no additional liability.

Continuing with expenditure changes, Keith explained how an increase of $500K to our Retirement is going up by an annual index of 1.25% plus the difference of the additional people selecting the 401 as opposed to the pension.

The total change on the personnel side is about $5.3M. An increase of $1.2 M is also expected to health care due to 12.8% increase to premiums.

Other expenditure changes outside of Personal Services were discussed. The net change to the budget for these expenses amounted to $6.5M. However, eliminating prior year reappropriations from the total results in a more accurate amount of $10.5M on the expenditure side.

The distribution of revenue increases was also discussed in detail indicating $10.275 in additional operating expenses including high priority new needs for IT, Public Works, Police, Fire, Community Recreation, Parking, etc. Capital & Debt amounted to $4.6 for a total expenditure increase of $14.9M. This increase includes $1.8M in debt service made up of fluctuations in the debt service schedule and $450K in potential debt service for Fire House 4. The Commission will have to vote on whether to construct FH #4 with debt. If they decide against that option, the $450M will go into reserves.

Mr. Banos questioned how the $1.8M in debt schedule fluctuations was calculated. Natural fluctuations in the way the payments were scheduled produced this impact. All of the city's debt has been restructured to flat rates.

A Personnel/Benefits Analysis was presented as requested by the BAB Chair, Frank Paredes which detailed the components driving the cost of labor. Total salaries for full and part time positions amounted to $79M, which is 68% of the total budget operating budget. This discussion was followed by the employee classification slide which is a ten-year comparison of headcount information. FY22 increased by 9 positions (846 to 855) due to seven positions for the Country Club, and two positions for enhancements to the trolley routes. Moving into FY23, there will be 11 new positions, two code enforcement officers, two IT analysts, three body worn camera staff, one firefighter captain, and three maintenance worker IIs.

Equipment under Capital Projects is projected at $2.8M which includes the $1.6M in IT improvements, and Facility Repairs/Improvements is at $1.8M. Historic Facility repairs/Restorations amounted to $4.2M, Motor Pool Equipment Replacements is at $3.5M and Parking Repairs & improvements at almost $1.3M. Parks & recs came in at $2.4M and Public Safety requested $1.4M. Transportation & Right of Way Improvements fared at $3.2M with Utility Repairs and Improvements Projects at $9M for a Total Capital Budget of $30M. Javier Banos questioned how consistent these projections are against our five-year capital improvement plan. This represents the first year of the new 5-YR Capital Improvement Plan, updated on a yearly basis. These projects will be discussed at the 2nd hearing at the end of September. The commission commits to the first year and treats the last four as a rolling plan each year.

A proposed millage rate of 5.559 has been the same for the last seven years. The estimated average taxable value of a homestead property per the Property Tax Appraiser's Office is $741K. It's not the true average because the amount includes new constructions and additions. In the absence of those items, residents are capped at 3%. This is not a clean representation of their values but it's the only information available. Property owners will have the actual values by early November.

Javier Banos questioned if the adjustment to the values would trigger additional revenues. Keith responded that the budget's revenues are predicated using the June 1st numbers so an adjustment is expected for the next iteration of the budget. The next iteration of the budget will also include an increase to some state revenues whose estimates are not available until after July 1. Expect differences to follow which will be discussed during the two budget hearings.

Based on the proposed millage of 5.559 and the average homesteaded value of $741K, the Coral Gables portion of the tax amounts to an increase of approximately $120. Coral Gables has the 2nd lowest millage rate of all full-service cities in Miami Dade County. The lowest is the City of Key Biscayne which has started to increase its millage rate over the last few years. A breakdown by property types was displayed followed by its respective total revenue by type. A comparison of millage rates of all 35 cities within the Miami-Dade County ranked us in 11th place. For every $1 of property tax paid by our residents, only $0.29 goes Coral Gables. $0.02 goes to the regional agencies, $0.32 cents to Dade County and $0.38 to the School Board.

The Annual unfunded portion of the Pension Contribution payments are on a downward trend, allowing us to increase additional payments aimed at further reducing the unfunded liability. However, if the ARC (Annual Required Contribution) goes up, we can use some of these funds to make the difference if needed. The $8.4 Million additional payment for FY23 is a tremendous amount of money that will assist us in reaching a positive funding level. Since 2011, the funding ratio has moved from 53% funded to 73.4.6% funded. Once we achieve 100%, the recommendation is to set aside any extra monies in the Pension Stabilization fund so that we can cover any assumption changes.

401a participation has been steadily increasing over the last five years since the option allows employees to be more portable. It also reduces our risk. ***Javier Banos questioned the retirement preference of the new hires for the Country Club and would like to see their choices.***

The General Fund Reserve is almost back to 25% with an outstanding amount of about $1.5M from FEMA and CARES. These funds are strictly for catastrophic events. ***Javier Banos questioned the exact percentage.***

No Public Comments were made.

- **Discussion: (Deferred Item to 09/07/22) – Transfers**

- **Discussion: (Deferred Item) – Scheduling**
  -Meeting scheduled for Wednesday, September 28th, 2022, conflicts with Commission Meeting

Scheduling:
The next meeting is scheduled for Wednesday, September 7th, 2022, at 8:00 AM.

Adjournment:
Meeting Adjourned at 9:25 AM.