

**City of Coral Gables City Commission Meeting**  
**Agenda Item I-1**  
**May 14, 2019**  
**City Commission Chambers**  
**405 Biltmore Way, Coral Gables, FL**

**City Commission**

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

**City Staff**

**Interim City Manager, Peter Iglesias**  
**City Attorney, Miriam Ramos**  
**City Clerk, Billy Urquia**  
**Finance Director, Diana Gomez**

**Public Speaker(s)**

**Brett Friedman**  
**Neil Harris**

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Agenda Item I-1 [0:00:00 p.m.]

A Resolution accepting the Comprehensive Annual Financial Report, Compliance Reports, and Management Letter, for the Fiscal Year ending September 30, 2018 by RSM US LLP, Certified Public Accountants.

Mayor Valdes-Fauli: We have a time certain item at 9:30, and that is I-1.

Finance Director Gomez: Good morning. Diana Gomez, Finance Director.

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Agenda Item I-1 - Resolution accepting the Comprehensive Annual Financial Report, Compliance Reports, and Management Letter, for the Fiscal Year ending September 30, 2018 by RSM US LLP, Certified Public Accountants.

Mayor Valdes-Fauli: Good morning.

Finance Director Gomez: This is a resolution accepting the Comprehensive Annual Financial Report, the Compliance Reports, and the Management Letter, for the Fiscal Year ending September 30, 2018. I've left copies of everything in front of you. And I have with me today the -- our external auditors, RSM US LLP. We have Brett Friedman, partner, and Neil Harris, senior manager, who will give you a quick presentation and overview of the financial statements.

Brett Friedman: Thank you, Diana. Good morning, honorable Mayor, Commissioners, residents of the City. It's our pleasure to be here.

Vice Mayor Lago: Good morning.

Mr. Friedman: You know, as Diana said, my name is Brett Friedman. I'm the partner on the audit. With me is Neil Harris. He runs the audit, makes sure it goes smooth. And we met with the Budget and Advisory Board, but we'd also like to present to you just certain required communications since you are charged with governance over the City. So, you have two documents. The large one is the Comprehensive Annual Financial Report. That's prepared by Diana and her team. We want to thank them as well for all their time and effort. And Neil's going to touch on that. I'm just going to briefly go over that smaller document, just starting on page 1, a few required communications. The first is just that we did the audit in accordance with generally accepted auditing standards and governmental standards, and also in accordance with our arrangement letter with the City. At the beginning of the audit, we provided you a scoping memo kind of laying out the timing and what was intended to be covered. I just want to point out that thanks to the staff and their presentation, the City Manager as well, we were able to do everything timely and efficiently and meet the reporting deadline for the City. Going down to accounting policies, the adoption of or changes in accounting policies is an area of significance for (INAUDIBLE) of governments. The thing I want to highlight here is this year all governments had to implement the new standard, GASB statement 75, which much like in the private industry, it requires recording

the entire liability for other post-employment benefits on the face of the financials. So, in the financials, you'll see there's a reference to a restatement. Just want to point out that's not due to any error by your accounting team. It's just how the standard is adopted, and it's just meant to make, you know, governments more comparable to private businesses. Just touching a few other things. We didn't identify any significant or unusual transactions or transaction scenarios that lacked proper guidance. One of the key things we'll highlight is management's judgments and estimates because those -- you know, most of what happens at the City is either cash coming in or cash going out, but the estimates are where you could have management involvement. A couple of things to highlight. There were no audit adjustments and no uncorrected misstatements. The importance of that is it should give you comfort throughout the year that you can rely on the reports that you get from the Finance team because we really try to work hard to dig through everything and find things and we didn't have any issues. We had no disagreements with management, no significant issues. There are a couple of other letters that are provided. There's one in accordance with governmental standards on internal controls, also, one in accordance with the single audit and also, the management letter required by the State of Florida. Just turning to page 4, just quickly highlight a couple items. There are a few accounting estimates that are important to a city. The first one being the actuarial assumptions used for self-insurance. There, the City uses an outside actuary to help them. We have our own consulting actuary who's part of the firm. They review it and advise that it's properly prepared and the assumptions are reasonable. The same goes for the City's pension plans, and also, for the City's other post-employment benefits. I just want to point out again that we had no issues or concerns with the specialist used by the City. Our specialists were comfortable with everything. With that, I'll turn it over to Neil just to go over some highlights on the financial statements.

Neil Harris: Thank you, Brett. Good morning. So, I'm going to go over the results of the financial statements for the year ended 9/30/18. The first item I want to bring to your attention is on page 1 through 3. That's our audit opinion. It's the only document -- the only item in this document that really belongs to us. It's an unmodified opinion, or a clean opinion. Basically, it's the highest level of assurance we, as auditors, can provide to any client during an audit engagement. As Brett

mentioned, the audit opinion highlights the statements restated in the current year. Additionally, as Brett mentioned that's required by the auditing standards and is required to be in the opinion based on the guidance. I also want to draw your attention to page 26, which shows the results of the operations for the general fund, which is the first column on page 26. For the year ended, the general fund showed a decrease in fund balance of \$4.4 million. Basically, that means that the expenses and transfers out exceeded revenues for the year ended. That's largely in part to the City incurring approximately \$12 million of one-time hurricane-related expenditures that would be reimbursed -- or expected to reimburse in future periods.

Mayor Valdes-Fauli: We hope.

Vice Mayor Lago: We hope.

Mr. Harris: Exactly.

Vice Mayor Lago: How long has it been now? I'm sorry to interrupt you, but how long? What are we talking about?

Commissioner Keon: A year and a half.

Mr. Harris: A year, year and a half.

Vice Mayor Lago: We haven't been able to gauge when we potentially will be reimbursed?

Finance Director Gomez: So, we are going through the process and we have submitted everything, but there's been a lot of back and forth. There's nothing that indicates that we are not going to get the reimbursement that we believe we are due, so it's just a time-consuming process.

Mayor Valdes-Fauli: After this report, I'd like to suggest that we pass a resolution to communicate with our Congressperson and our senators to bring this issue up because I think it's utmost responsibility -- irresponsibility for us not to have been reimbursed. And if we get hit -- hurricane season starts June 1. If we get hit with another hurricane and we're going to, again, deplete our resources and maybe there are cities there that don't have the resources we have.

Vice Mayor Lago: I agree with you 110 percent. And I just want to mention one thing and get your input. I mean, again, you're the experts and that's why we have you here. I'm very proud, as the Vice Mayor of the City of Coral Gables and my colleagues here, Commissioner Keon, Commissioner Fors, Commissioner Mena and our esteemed mayor, when we have the amount of restricted reserves that we have. I mean, again, I think we're like -- unlike any other city here in South Florida in regards to the percentage that we have allocated for that. And I think that's a big deal. And I want to keep in mind -- I say it every single year and I know Commissioner Keon agrees with me on this because we harp about it over and over. We made some serious sacrifices to get to that number, along with the guidance of our great staff that we have here. So, sometimes we want to think to ourselves, okay, can we take some of that money and buy a property or can we invest? I always want to remind individuals that that money needs to stay there. That money needs to be held sacred and it cannot be moved. So, when the Mayor makes a comment like he made right now, it's critically important that we -- that that garners support because we need that money. Because if we have another hurricane like we've had in the past -- by the way, that was a minor hurricane. It wasn't anything significant. We'd be depleted immediately, if not more.

Mayor Valdes-Fauli: Alright.

Vice Mayor Lago: So...

Mayor Valdes-Fauli: Go ahead.

Mr. Harris: Yeah. The status of your reimbursement is similar to other entities we audit in the South Florida area. All the reimbursements have been delayed for the most part, so...

Unidentified Speaker: Yeah.

Mr. Harris: You're not isolated in that area. You know, in connection to what you're saying, the ending fund balance for the general fund is \$56 million, which is about 36 percent of your current year expenditures. You know, the recommendation on average is about 20 percent. So, 36 percent is obviously a very healthy position. Also...

Finance Director Gomez: If I can make a -- just clarification. So, that includes assigned, restricted and other -- all fund balances, the 25 -- the amount that's unassigned is the 25 percent that we try to maintain. And so, we've met that goal with the exception of the amount that's outstanding for FEMA. We have met our 25 percent reserve and that'll be on the unassigned line we show on page -- what is it, page...

Mr. Harris: 24.

Finance Director Gomez: 24. The unassigned is \$31 million. That's -- it's not quite 25 percent. You need -- the difference is 13 million that's outstanding with FEMA. So, just to make it clear that...

Vice Mayor Lago: A hundred percent.

Finance Director Gomez: The 36 percent fund balance is total fund balances. We are only maintaining unassigned of the 25 percent, okay.

Mr. Harris: Thank you.

Vice Mayor Lago: So, we have unrestricted and restricted?

Mayor Valdes-Fauli: Right.

Finance Director Gomez: Right, exactly.

Vice Mayor Lago: Capital projects...

Finance Director Gomez: Exactly.

Vice Mayor Lago: Things that we're saving for a rainy day and for future projects.

Mr. Harris: Yeah. The next page I want to bring your attention to is page 31, which shows the results of the operations for the enterprise funds. For the year ended, the enterprise funds ended with an increase in net position of \$7.1 million and an ending net position of \$46.6 million, which you can see on page 30, which, again, both positive results for the current year. In addition to our report and the financial statements, we also issue reports on the City's compliance with its grant agreements as well as internal control over financial reporting. That's included -- those reports are included on the last tab of the booklet. Pages 1 through 4 has our audit opinions as it relates to those. Again, both unmodified opinions or clean opinions. There are no items to bring to your attention. And as Brett mentioned, that's unusual. Normally, in the course of the audit there are items to report, but given that these are clean opinions, it's really something to commend the staff for. For the year ended, the City expended \$1.2 million of federal grants and \$39,000 of state awards. And with that, we'll take any questions.

Mayor Valdes-Fauli: Questions?

Commissioner Keon: No, thank you. Since it's clean, there's few questions.

Mr. Harris: Yeah. That's always a good thing.

Mayor Valdes-Fauli: Tell us about our pension debt -- not debt, our unfunded pension.

Commissioner Keon: Unfunded liability.

Mayor Valdes-Fauli: Liability.

Mr. Harris: So, if you go to page -- let's get to it here. So, beginning on pages 99, it shows the funded ratio of your pensions. So, for the year ended -- the 28 column, your pension is 65 percent funded, which is in line with the national average for pension plans. It's in the low 60s, 70 percent range.

Finance Director Gomez: And so that is based on the financial statement basis, versus the actuarial basis. So, the actuarial basis is 61.6 percent. So, they look at it different ways, so it's a little bit higher for the financial statement purposes.

Mayor Valdes-Fauli: No, it's coming -- it's going up.

Finance Director Gomez: Yes, it is going up. And we just received the actuarial valuation report and I was going to send an email with that information. And we are going up. Our funded ratio is going up. Our unfunded liability is going down, so it's -- we're moving in the right direction.

Vice Mayor Lago: So, the sacrifices are paying dividends.

Commissioner Keon: And we need to continue.

Vice Mayor Lago: Continue to obviously not only...



Commissioner Keon: To hold that line until...

Mr. Harris: Yeah.

Commissioner Keon: We have it appropriately funded.

Finance Director Gomez: Exactly.

Vice Mayor Lago: Let me ask you a quick question. I know that you say that the national level is...

Mr. Harris: Low 70s, 60s.

Vice Mayor Lago: What would you feel comfortable at?

Mr. Harris: I mean, every plan is different, so there's really no...

Vice Mayor Lago: I understand, you know, everything has different...

Mr. Harris: There's really no...

Vice Mayor Lago: Moving parts, but...

Mr. Harris: Number we can give. I mean, once you're in line with the average and you're making annual contributions, I would say that, you know, that's a positive result.

(COMMENTS MADE OFF THE RECORD)

Mayor Valdes-Fauli: What would our contribution have been had it not been for this unfunded liability?

Finance Director Gomez: So, our annual -- so, you're asking if we didn't have an unfunded contribution...

Mayor Valdes-Fauli: If we didn't have an unfunded contribution.

Finance Director Gomez: The normal cost in total -- and I'm doing it off the top of my head -- is only a few million dollars, four, five, six million dollars, which would be the normal cost if there was no unfunded.

Mayor Valdes-Fauli: Right.

Finance Director Gomez: Because the unfunded portion is about 20, \$22 million and that's what makes up the \$25 million annual required contribution.

Vice Mayor Lago: So, along with -- it's not only 25, along with what we put additional.

Finance Director Gomez: And then we put additional for the \$3 million in order to bring that down and we have been seeing the dividends of that.

Mayor Valdes-Fauli: It's 25, 26, 27 million.

Finance Director Gomez: Yeah, the 25 is what is required, and we end up paying them around 27 high, so we put in the two and a half -- last year, we put in two and a half million dollars extra.

Vice Mayor Lago: And that's...

Mayor Valdes-Fauli: Thank you.

Vice Mayor Lago: And that's what we've been fortunate also for the last five or six years to have exceptional earning years in regards to Wall Street...

Commissioner Keon: Last year wasn't a -- yeah, last year wasn't such a good year, but...

Finance Director Gomez: We did...

Vice Mayor Lago: We did okay.

Commissioner Keon: We did alright.

Vice Mayor Lago: We met expectations. I mean, I think that that's...

Commissioner Keon: Right.

Vice Mayor Lago: We got to pray that we hopefully keep moving in that direction.

Mayor Valdes-Fauli: Thank you.

Finance Director Gomez: So, there's...

Mr. Harris: Thank you.

Finance Director Gomez: There is a resolution.

Unidentified Speaker: Yeah.

Mayor Valdes-Fauli: Yeah. Will you make a motion, Vice Mayor?

Vice Mayor Lago: So moved.

Commissioner Keon: Second it.

Mayor Valdes-Fauli: Will you call the roll, please?

Vice Mayor Lago: Yes.

Commissioner Fors: Yes.

Commissioner Keon: Yes.

Mayor Valdes-Fauli: Yes.

(Vote: 4-0)

Mayor Valdes-Fauli: Thank you very much.

Finance Director Gomez: And I...

Mayor Valdes-Fauli: Good job.

Finance Director Gomez: Would like to thank my staff. They really do a great job putting this together. Sally Ola Ola, my Assistant Finance Director, as well as all the staff at the Accounting Division and the whole Finance Department does a fantastic job. So, thank you to them.

Vice Mayor Lago: Congratulations.

Commissioner Keon: They are very good, very good.

Finance Director Gomez: Thank you.