City of Coral Gables City Commission First Budget Hearing
Agenda Item 1
September 13, 2016
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission
Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago (Via Telephone)
Commissioner Jeannett Slesnick

City Staff
City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Assistant Finance Director, Keith Kleiman
Finance Director, Diana Gomez
Parking Director, Kevin Kinney

Public Speaker(s)

Agenda Item 1 [0:00:00 a.m.]
Presentation of proposed Fiscal Year 2016-2017 City Budget.

City Attorney Leen: (INAUDIBLE) which the City Commission does as three Commissioners, which is a quorum. In this particular matter, we -- any vote needs to have four votes, because of the rate, the millage rate that has been chosen. So, based on the AGO opinion, one of the Commissioners, at least -- it may be both -- but at least one will participate by phone and the Attorney General has opined that that vote can count and the person can vote over the phone, and that's also my opinion as City Attorney and hereby, as your City Attorney, pursuant to 2-

201(e)(1) and (8) of the City Code that the vote of a Commissioner over the phone is permissible, particularly where you have a quorum in the room. And here we, again, have three Commissioners. So, with that, I would turn it over to the City Manager.

City Manager Swanson-Rivenbark: Mr. Mayor and members of the Commission, we had been through this budget process for this year for several meetings, so each of the Commissioners that may participate by phone are well informed. We began talking to you about it in February. We continued the discussion in a workshop. You gave us good feedback. You gave us good directions, priorities that you wanted to make sure get included. You also asked us to develop a strategic planning process tied to the budget. I'm going to postpone my comments on the strategic plan this meeting. We will have it next meeting. But for the public and or you, we have the summary of our strategic plan. And you'll see in the budget, in the documents in front of you, which are really three documents, you'll see a strategic plan. The departments have worked very hard to develop action plans tied to your goals, your priorities. You'll also see our general -- our budget itself for 2016-2017, and then you'll see the capital plan. All three components are critical for us to achieve the objectives that you want this next year. You'll hear the strategic plan at the next meeting when we have a full Commission. But in the meantime, I'm going to call Keith Kleiman up. He is the Assistant Finance Director for Budget and Management. He's going to go over the budget itself. It's similar to the presentation that you have previously seen in August. It complements the presentation you have also seen in July. So, this is -- the public hearing process is the final step to that 2016-2017 budgeting process. So, Keith, I'd like you to come up. And while he's coming up, we'll give a shout out not only to all of the different departments. We recognize how efficient and careful we need to be with your city resources. And I'll also give a special shout out to the Budget Division. They have worked very hard delivering this budget and delivering a strategic plan that complements all of the objectives deserved.

Assistant Finance Director Kleiman: Good evening, Mayor and Commissioners. And I do want to thank my staff, Mitranand Bhagirathi and also Ken Ingersoll, who has moved on to better things over in HR. You got a nice promotion. He worked very hard as well on the budget, and so I want to thank them both. I could not have done it without them. Okay, you'll remember this calendar. It's hard to believe that the first time we met to discuss the budgets formally like this was on May 4, so it was over four months ago. That was a workshop. We discussed your priorities and your capital needs. And since then, we had another workshop on July 27, and that was the formal budget workshop that we presented the budget the first go around. And at that date, we selected a tentative millage rate. Okay, that wasn't adopting it. It was just selection of a tentative rate. That brings us to September 13, which is our first budget hearing. By law, we have to have two, so we're going to go over the presentation once again, and then you'll be asked to vote on two ordinances; one to adopt the millage and one to adopt the budget. Okay, on the second hearing, we're going to present to you the five-year capital improvement plan, of which the first year is included in the budget right now, and you'll get to see what we have, based on your priorities, plan for the next four years after FY17. Okay, in front of you is a balanced budget similar to the July budget, $183.2 million, a minor difference of about $130,000, and we'll go over those changes a few slides ahead. Okay, from fund balance -- well, actually, I'm sorry, annual revenues, $171.5 million. That's all recurring revenues. None of that is one-time. And just so you know, to make it on record -- and we're very proud of this -- we based our operating budget on recurring revenues. We do not use one-time revenues to fund anything that's ongoing. Okay, from our fund balance -- and this is assigned fund balance -- we do not touch the 25 percent in the general fund that is our special reserves. Three and a half million dollars for capital projects. The Capital Improvement Impact Fee Fund, that's Coral Gables impact fees, $1.5 million of the $3 million that you see there is for the potential purchase of land for a Fire Station 4. We don't have a set site for that. It's a five-year program, so it's all pilot at this point. The rest of those funds are just appropriating money from FY15, collections that we received -- it's just being appropriated to comply with the ordinance, and it's going right back into fund balance until the Commission decides what they're going to do with it. Okay, $1.7 million from the general fund assigned fund balance. This is monies that we've set aside for one-time needs. We use that money for our (INAUDIBLE) new needs in the operating budget, plus in some cases, small capital purchases. Parking Fund is all for capital improvements on the parking side. One million dollars from the Sunshine State Debt Service Fund, which was surplus identified there, which we're bringing in for capital projects now, one-time. Roadway Improvement Fund, 725,000; Trolley/Transportation Fund, 222,000; Storm Water Utility and Sanitary Sewer, all for one-time capital needs. The hundred and eighty-three point five thousand dollars is the cost of our pension administration, so that is our pension administrator and the expenses that go along with that, okay. So, the total (INAUDIBLE) out of fund balance is $11.7 million, for a revenue budget of $183.2 million. On the expenditure side, the operating budget is $158.5 million, capital is $15 million, and debt service is 7.9, almost $8 million. Transfers to Reserves -- now you're going to see that large number in Stormwater Utility Fund. That represents the million dollars extra that we increased the fee to start building up fund balance for sea level rise, so that is not going to be touched. The rest of the money is there -- can be used for capital projects, but that million dollars is going to be set aside.

Mayor Cason: Great.

Assistant Finance Director Kleiman: Okay, Sanitary Sewer, again, that's for capital projects. And the 192 is all the other funds, just the balance of revenue over expenditures, and that goes into fund balance. The total expenditure budget is equal to the revenue budget, $183.2 million. So, we've broken up the presentation as in similar presentations, which show the revenue increases, and the next slide will be the revenue decreases. Property tax is -- the increase is $3.7 million, for a total revenue this coming year of $75.9 million.

Mayor Cason: And that increases due to property value increase?

Assistant Finance Director Kleiman: That's all property value and new construction. And the total -- I think it's 5.09 percent in increasing values, so we are at an all-time high of $14.4 million, which is very good. The Stormwater Utility Fees, the increase is that million dollars that'll be identified for sea level rise. Sanitary Sewer Fees, that represents the fee increase that we approved back during the summer, and that is pass-through for the cost of sanitary sewer, the waste disposal. Automobile Parking Fees, that is just trend. Our Pay by Phone has been very successful, which Kevin can attest, and so we have not increased fees. This is just based on the trend. Swimming Fees, as we've discussed at the budget workshop, Carolina Vester has done an incredible job over there, and yes, we have considerably more fees coming in, and that's not due to any increases. And for the first time in my time here, we actually are in the black in that fund, which is pretty incredible. Whether you want to stay there or not, we know that's an issue that has to be discussed. But at this point, it is pretty remarkable that that facility is bringing in that kind of money. Franchise Fees, up $205,000; the Biltmore Complex, 102 (sic). That's just, again, just trend. The Transportation Sales Tax, that's the number given to us by the County. That's up by $100,000. Permit Fees up; that's just trend, as is the local gas tax. And Parking Rentals, that's due to escalations in leases. Now we have the decreases. And these are, thankfully, one-time decreases of one-time items that were in the budget completely across-the-board, except for one, and I'm going to go into that detail now. So, Debt, most of that is the streetscape that came in. All unspent money will be re-appropriated in FY17 during the first quarter. The GOB, that's $3.5 million. That will get re-appropriated as well. Miami-Dade Roadway Impact Fees is two projects, the Ponce median for $1.5 million and De Soto Fountain for just about $200,000, that'll get re-appropriated as well. The Utility Service Tax, you see minus $220,000. In the first budget workshop, we talked about the Communication Services Tax that went down by $800,000, lower than what we anticipated; two components to that. Two hundred thousand of it was due to just the trend. We have been lowering our estimates, but this year it took a bit of pretty much a nosedive. But on top of that, $600,000 was to pay back AT&T for a settlement that was made. And basically, the cities to the State, the State to AT&T, and AT&T to their customers for their overpayment of internet services.

Mayor Cason: So, every city had to do that?

Assistant Finance Director Kleiman: Yes. So, we were hit pretty hard, but it is one time. So, as you'll see, I'm going to give you the detail. Because it was one time, most of this we covered with recurring revenues. We covered $366,000 from a one-time dip into our one-time pot of one-time money we set aside for new needs, but it is -- goes as one time, so it's not a recurring thing. So, in the end, $220,000 will be an ongoing decrease, which we're going to have to take care of FY18 and on. But $600,000 a as one time, that will come back to us. Expenditure changes. You're going to see the total salaries budget is $64.3 million, and that represents an increase of $3.2 million over FY16. Overtime, it looks like we've decreased the budget. It's not so. In FY16, we did one-time transfers to cover vacancies, and the actual difference between FY16 and FY17 is only $23,000, of which $20,000 of this is to cover overtime for training for the Fire Department. And that training, so you'll know, is part of our strategic plan, so that's to get to that level of excellence that we're looking for. Retirement, it also looks like we're decreasing the budget. We are not. In FY16, we paid the one-time extra payment for FY15, so we did a re-appropriation of those dollars. It was to the tune of about $1.85 million. We have upped the payment each year by an index, so that's about $330,000, so that's the net difference. So, we are still -- we're paying more in FY17 than we did in FY16 by about $330,000.

Mayor Cason: And we will continue to do that in future years.

Assistant Finance Director Kleiman: Every year, we're going to do an index of about one and a quarter percent.

Mayor Cason: In order to pay down our unfunded -- actuary accrued…

Assistant Finance Director Kleiman: Right.

Mayor Cason: Liabilities.

Assistant Finance Director Kleiman: Exactly. And also, as more and more people go into the 401, we're not decreasing the amount that goes to the pension. We're actually increasing the payment to cover that, so we are really very dedicated, and we want to fulfill the Commission's want to reduce that unfunded liability. The FICA is just -- the $176,000 applies to the salary increase of 3.2. Now, Workers Compensation -- and we discussed this during the workshop -- we have had some very good experience. The City has done very, very well. We were over budgeted and we took it down, so we've utilized those funds in other occurring areas. Health and Other Post-Employment Benefits, that is going up by $203,000. Other Miscellaneous Benefits, going down by 41. Okay, expenditure changes affecting the budget -- now this is on the operating side. We call OTPS, Other Than Personal Services. Professional Services is going up by $1.26 million. A lot of that, if not most of it, is due to our new strategic plan. There's a lot of items in there that require outside professional services. I do have details if anybody wants to hear all those details. We have them with us here. The repairs, maintenance and utilities, just about one million dollars. Most of that is the increase due to the wastewater increase of $500,000 and solid waste increases. These are pass-throughs from the County to us. Parts, Supplies and IT Maintenance, most of that is also due to new needs that we had to come forward and increase the budgets for maintenance on all the new systems that we've been implementing over the last three years. The Equipment Replacements and Additions, those are decreases, the one-time items that we put in the budget last year, and in previous years that were re-appropriated into 16. So, you'll see it looks like (INAUDIBLE). We're still continuing our investment in capital, but these were one-time items. Debt, Employee Payout and Contingencies, we increased our contingency so we have it appropriated in case there's a need during the year. Grants are one-time decreases. The Fleet increase is the -- just the cost of living that we add to the fleet, so we are fully funded to replace that fleet now, for the first time now, and we did it now three years ago, so we're continuing on with that. It's the first full capital program that we decided to fund 100 percent and the Commission accepted that starting -- I believe it was two fiscal years ago. Okay, so that brings us to a total operating budget of $158.5 million. The next slide is the changes between the July 1 budget that we submitted to you and now.

Mayor Cason: Is that the same as this?

Assistant Finance Director Kleiman: Yes, yes.

Mayor Cason: Okay.

Assistant Finance Director Kleiman: I just -- what I did, I did consolidate some of the smaller changes in there. The top items represent the same information that we told you about. The Communication Services Tax, $190,000 was used towards that $800,000. The Half Cent Sales Tax and the State Revenue Sharing, those estimates came in after the July 1 budget. We utilized them as well. And if you look more toward the bottom, number 8, $366,000 is the one-time dip into the assigned fund balance that we have for one-time items, and that covers the $800,000.

Mayor Cason: Are people playing more golf?

Assistant Finance Director Kleiman: I'm sorry?

Mayor Cason: On Granada Golf Course. Is that…

Assistant Finance Director Kleiman: Yes. Now…

Mayor Cason: To reflect the fact that we were closed for a number of months?

Assistant Finance Director Kleiman: In the beginning, my estimates were very, very conservative, and the Parks Director had brought that to my attention and we discussed it during the workshop. So, yes, I did up them by $80,000 for the Granada Golf Course fees and the Tennis Fees by 40. Both of those facilities had been closed, so I think it's still less than what we had in FY16, but again, we budget very conservatively and both of them had shorter start years. So, we're anticipating higher than that, but we don't want to take that chance and actually budget recurring expenditures based on that. Okay, so you're going to see a total increase to the revenue estimate of $130,000, bringing the budget from $183.1 to $183.2. On the expense side, there aren't many items in here. From the time the July 1 budget is submitted to you and now, there's always personnel changes going on, so we always follow those and we try to make the budget as accurate as possible. So, you'll see those changes are negative $17,000. Also, the -- we had budgeted 5 percent for the health premium. It went down to four, so you can see a savings there of $46,000. There was a new contract for parking attendants, so that was an increase of $6,000. The -- from the time -- I believe that the contract for the collective bargaining unit on the Teamsters was signed on July 27, too late to implement many of the changes in the budget. So, this is one of the changes. We had the money set aside and we moved it into the proper accounts. Okay, you'll see $40,000 there, and you're going to see $33,000 coming from contingency. The difference will be all the other funds that absorb their share. Okay, the biggest item is the $180,000, which is for the internal audit contract. And as we anticipated, our choices were either increase staff and stay in-house, which ultimately would have cost us more money with legacy costs, or go out. And going out gave us a wider variety of talent and we have now $180,000 for the first year. It will go down significantly next year, down to $105,000 in the final year. It's a three-year contract. There is a risk assessment that is built into this $180,000, so that's why it's so high in the first year. Okay, so now you can see the -- on the expenditure estimate, that increased cost. It was $130,000, bringing the budget to $183.2 million. So, now you're going to recognize this chart. This was a result of the May 4 budget workshop. These are your priorities. And the exact same chart as we've been able to fund them. You can see we were successful in funding 98 percent of them, if not 99 percent of them.

City Manager Swanson-Rivenbark: I will say, the Wi-Fi installation, when you see the number of Wi-Fi areas that IT has already accomplished, you'll know that the intention is already there.

Assistant Finance Director Kleiman: Yes. And actually, some of the detail was in the email that I sent out again yesterday. So, I'm not going to go through every detail of the capital projects, but I'm going to just do the -- I'm going to just read out the totals for the sake of the audience. If there's any capital project you want to discuss, please just stop me. So, for Capital Equipment, it's $1.8 million of either new or additional dollars. Facility Repairs/Improvements, $1.5 million; Motor Vehicles, $3.2 million; Historic Facilities, $800,000; Parking Repair and

Improvements, $1.1 million; Public Safety Improvements, $2.6 million; Parks and Recreation Amenity Improvements, $2.4 million; Transportation and Roadway, $2.8 million; and Utility Repair and Improvements, almost $2 million, for a total capital budget of $18 million. That's quite impressive.

Commissioner Keon: That's for this year?

Assistant Finance Director Kleiman: That's new money.

Commissioner Keon: 16-17.

Assistant Finance Director Kleiman: That's new money for 16-17. The next slide shows the headcount. We've kept the headcount very, very steady. We only increased it by two. One was in the Parking Fund, and that was a night and evening manager. And the other was a mandate for Sanitary/Sewer. We had to do it by County mandate, so we are really holding the line on increasing headcount. The proposed budget -- the proposed millage rate is 5.559, the same as the current rate. And you can see that the estimated average taxable value of a homesteaded property, the tax increase just on the Coral Gables share would be $95. And there is a typo on the bottom of the slide. It says June 1, but this is actually the July 1 estimate. This is a new slide. Now, as you know, we are just starting out on our Baldrige journey, and that journey requires us to start changing the format of some of the charts that the City uses. The charts have got to be much more informative. So, this is a new chart, and we'd like your feedback at some point if you like it or not. This chart is -- there was no chart like it in here before, but this chart just represents the five full-service cities and a ten-year history of their millage rates. So, you can see where Coral Gables is as opposed to the other four cities.

Mayor Cason: The second-lowest still.

Assistant Finance Director Kleiman: Yep, second lowest.

City Manager Swanson-Rivenbark: The lowest being Key Biscayne.

Assistant Finance Director Kleiman: Key Biscayne.

City Manager Swanson-Rivenbark: And I'll remind you that Key Biscayne has a very high amount of nonresidents, so the issue of homestead and other -- Save Our Homes is not apparent. They have full value of their properties on tax.

Mayor Cason: Do they?

Assistant Finance Director Kleiman: Now, the next one is a replacement slide, though just for the sake of antiquity, I left last year's slide in behind it. So, you're going to recognize something different here. It's a different format. It's more in the Baldrige format. But you can see that we are number 12 out of 35 cities within Miami-Dade. The full-service cities are highlighted in blue. We are -- and Coral Gables' gold, and the rest of the city are in the green.

Mayor Cason: And a lot of that has to do with -- I call it water under the bridge -- when we started our pension programs back in the '30s, right? And so we've had a lot of that money going toward paying our pensions.

Assistant Finance Director Kleiman: Right.

Mayor Cason: It's built into -- some of the other cities are very new and don't…

Assistant Finance Director Kleiman: They don't have that.

Mayor Cason: Have it. Like Doral, just…

Assistant Finance Director Kleiman: Right.

Mayor Cason: Started with no debts, I guess…

Assistant Finance Director Kleiman: Exactly.

Mayor Cason: In terms of that.

Assistant Finance Director Kleiman: But considering the amount we are making, we are in very good shape, so (INAUDIBLE) to be proud. Now, just so you're comfortable with this, we left the old one right here, so you can still see the old slide right there. But the old slide is sort of reverse logic because you would think good would be on top, but actually good was on the bottom. So, now the new slide, good is on the left. Okay, my favorite slide of them all shows the Coral Gables dollar tax wise. And for every dollar that our residents pay, only 29 cents comes to us and we offer the vast majority of the services to our residents. Miami-Dade is 30 cents. Regional is 2 cents, and the School Board is 39 cents per tax dollar.

Mayor Cason: And this is based on 95 percent collection of property taxes. Three or four years later after the tax is due, aren't we closer to like 98, 99 percent? Or is it still 5 percent we never collect?

Assistant Finance Director Kleiman: There's always some amount we don't collect. But most of -- we're doing well though in our collections, we really are. But we only budget 95 percent.

Mayor Cason: Okay.

Assistant Finance Director Kleiman: And we can't budget less than that by law.

Mayor Cason: Oh, okay.

Assistant Finance Director Kleiman: And that's it. If anybody has any questions?

Mayor Cason: Well, I think we have…

Commissioner Keon: How do we not collect -- what taxes do we not collect when you say it's based on 95 percent collection?

Assistant Finance Director Kleiman: Well, there's always delinquent -- people who just don't pay their taxes. So, if they don't have a mortgage, and they're responsible for paying their own taxes, then they just choose not to pay. But eventually, it's going to catch up to them and it's going to go on a tax certificate and the house could be sold.

Commissioner Keon: Okay, alright. So, eventually…

Assistant Finance Director Kleiman: Eventually, yeah.

Commissioner Keon: We collect them.

Assistant Finance Director Kleiman: Exactly.

Commissioner Keon: During that given year?

Assistant Finance Director Kleiman: Right. It takes -- it's at least three years -- I think it was four it goes on the…

Commissioner Keon: Okay.

Assistant Finance Director Kleiman: They have time to do it…

Commissioner Keon: Okay.

Assistant Finance Director Kleiman: But it catches up to them sooner or later.

Commissioner Keon: Okay.

Mayor Cason: I think you had a chart in your big, thick budget book that showed prior year collection.

Assistant Finance Director Kleiman: Yes.

Commissioner Keon: I see, okay.

Assistant Finance Director Kleiman: There is a chart (INAUDIBLE) book.

Commissioner Keon: Could I ask a question about debt service? On the budget estimate, when we have here the expenditures debt service, this is all City debt, this seven?

Assistant Finance Director Kleiman: Yes. That's all City debt.

Commissioner Keon: That's what, about 4 percent of our budget?

Assistant Finance Director Kleiman: It's close to 5.

Commissioner Keon: Five percent?

Assistant Finance Director Kleiman: I think it's about 5.

Mayor Cason: Our charges…

Commissioner Keon: Five percent of our…

Assistant Finance Director Kleiman: About 5 percent.

Mayor Cason: Yeah.

Commissioner Keon: It's under 5 percent of our…

Assistant Finance Director Kleiman: It's about 4.8, 4.9 percent.

Commissioner Keon: Of our budget?

Assistant Finance Director Kleiman: Yes.

Commissioner Keon: That seems -- what's the benchmark for…

Assistant Finance Director Kleiman: Ours is 8 percent, but it's an unwritten rule. It's -- basically, I inherited that when I got here, and…

Commissioner Keon: Okay.

Assistant Finance Director Kleiman: We like that rule, so we're leaving it at that.

Commissioner Keon: You're leaving it at 8?

Assistant Finance Director Kleiman: At 8.

Commissioner Keon: But do most -- I mean, cities that are going into our age?

Assistant Finance Director Kleiman: Some cities (INAUDIBLE)…

Commissioner Keon: I mean, you know, that are…

Assistant Finance Director Kleiman: Fifteen percent and higher (INAUDIBLE)…

Mayor Cason: Yeah.

Commissioner Keon: Yeah.

Mayor Cason: And I think the difference is -- and you mentioned in previous meetings is that we don't have any general obligation…

Assistant Finance Director Kleiman: Right.

Mayor Cason: These are…

Assistant Finance Director Kleiman: (INAUDIBLE) debt.

Mayor Cason: So, we don't have any of that. And what is our -- when we refinanced at least two or three times since I was here, we went from something like 5.8 percent variable rate debt, which was like 92 percent of our debt…

Assistant Finance Director Kleiman: Right.

Mayor Cason: Down to -- if I'm not mistaken, 92 percent fixed and the 2 -- in the range of 2 percent…

Assistant Finance Director Kleiman: I believe so.

Mayor Cason: In there. In other words, we've squeezed a lot of juice out of that lemon.

Assistant Finance Director Kleiman: Yes.

Mayor Cason: And I think that we're down to a pretty low rate of fixed…

Finance Director Gomez: I don't even believe it's -- it's less than that. It's -- a very small portion of our debt is variable rate debt. It's not even -- it's a couple percentage points, you know, of actual debt that we have in variable. Most of it, actually, closer to 96 percent…

Mayor Cason: Wow.

Finance Director Gomez: Is fixed rate, and all of them are around 2.5, 2.9. We have some 2.4. So, we have really good rates.

Commissioner Slesnick: How does this compare to like five years ago or ten years ago, the amount of debt?

Finance Director Gomez: So, as the Mayor is mentioning, in the past we had -- it was flipped. We had most of our debt as variable rate debt. In other words, it was depending on what the market was.

Commissioner Slesnick: No, I meant because of interest rates. Since interest rates were so high (INAUDIBLE) -- but I mean, how does it compare like five years ago. Did we have $9 million in debt or a certain percentage of…

Finance Director Gomez: No, so I don't know what it was -- we can do an analysis of what it was over the past five years. But since I've been here four and a half years, we've -- all of -- we've been starting to refinance everything. And even when we refinance, the rates that we have are not extremely high in the fixed rates. They were upwards of three point something, you know, four percent. So, we were able to reduce a lot of those down to two and a half, two point four. But the total dollar amount of debt that was existing as of that point, we can do an analysis and get back to you.

Mayor Cason: But there's not much left to refinance.

Finance Director Gomez: At this point, no.

Mayor Cason: We've sort of squeezed it all out.

Finance Director Gomez: Yeah, unless somehow the market really puts out really lower long-term rates.

Mayor Cason: But it looks like that's about to go the other direction.

Commissioner Keon: Yeah. They keep talking about it.

Commissioner Slesnick: And what is most of our debt for?

Finance Director Gomez: Capital projects.

Commissioner Slesnick: So, I mean, this completes like…

Finance Director Gomez: So, the Neighborhood Renaissance Program was a big chunk of debt. The streetscape is another big amount of debt.

Mayor Cason: Garages.

Finance Director Gomez: Some parking garages.

Mayor Cason: Biltmore.

Finance Director Gomez: Museum debt.

Commissioner Slesnick: We still owe for the parking garages? I mean, was this for like the Museum parking garage?

Finance Director Gomez: Yes. Some of it's that.

Mayor Cason: So, you're still looking for opportunities to -- if it's worthwhile -- to go with some of the fixed rate -- if the rates continue low to…

Finance Director Gomez: So, the variable rate that we have left mostly had to do -- there was one that was just recently paid off. There was another one I think belongs to the Biltmore and so -- because it's part of the overall contract with the Biltmore, we don't want to refinance that one. And right now there -- it's not -- one of them, they just recently paid off, so that one's done. That one's coming off. I think they just finished paying it off. And then the other one, it's the only variable rate debt that we have at this point, but we don't want to refinance that one because it may cause opening up the agreement and…

Mayor Cason: So, this -- looking at the other 34 municipalities, are we -- where do we stand in terms of -- I would think the triple -- being the only AAA bond rating for double triple has something to do with the fact that we've continued to lower our debt?

Assistant Finance Director Kleiman: Okay, we don't have the percentage for other municipalities, but we can find that out and we can …

(COMMENTS MADE OFF THE RECORD)

Commissioner Keon: I think it's important that -- I mean, it's not that -- you don't want to be debt free. If you were debt free, you would not be using your money very wisely. And so, you want to -- you expect to incur debt. It's just the percentage of debt to, you know, budget into revenues is really the issue, not that you have debt. I mean…

Assistant Finance Director Kleiman: Right. But it's also very important to use debt wisely and like for…

Commissioner Keon: Yes.

Assistant Finance Director Kleiman: The new projects, building new buildings. But for replacing assets, then you want to use -- that's why we are working so hard to have comprehensive capital improvement programs that will fully fund the City, so you don't have to go into debt for any of them.

Commissioner Keon: No, but to build new things.

Assistant Finance Director Kleiman: Yeah, the new projects, yes.

Commissioner Keon: They should be paid for by the community over the period of years that you expect them to.

Assistant Finance Director Kleiman: Yes.

Mayor Cason: But when people like them, Javier, want to brag about the City and we all want to brag about the City, it would be nice to know how we're doing in terms of other cities in the wise use of debt for…

Assistant Finance Director Kleiman: Okay, and we will get back to you.

City Manager Swanson-Rivenbark: But Mr. Mayor, when we were speaking with the rating agencies, a couple of things played in. One was you are very conservative on how you treat reserves, that 25 percent in the total budget not just general fund. Can you explain that? The issue of that, the issue of you all's commitment to paying more than what is owed on the unfunded, and the diversity of our economy, the fact that we're not obligated in just one form of industry. Those were pieces that the rating agencies paid a lot of attention to. But can you explain how you handle the 25 percent?

Assistant Finance Director Kleiman: Sure. Most cities will look at their general fund, which is the largest fund, and just budget (INAUDIBLE) 25 percent is a very conservative -- most cities do not. So, we are really doing very well by going with 25 percent. And if you think about it, again, it's just three months of activities because it's 25 percent of the budget. But what we do is we looked at the entire budget, all funds, calculate 25 percent of that, and we used general fund dollars and we reserved that amount in the general fund. And what that does is free up all the fund balances in the other funds for capital investment.

Mayor Cason: And it gets us through the period when -- if you had a hurricane and you had a big destruction, FEMA comes in three months later usually to reimburse you for whatever they're going to reimburse you.

Assistant Finance Director Kleiman: Right.

Mayor Cason: This doesn't stick you in a position where you have to go take out a high-interest short-term loan or fire people or do other things.

Assistant Finance Director Kleiman: Right, if necessary. Again, but it's not appropriated. We have to…

Mayor Cason: Right.

Assistant Finance Director Kleiman: Come back to the Commission to appropriate it.

Commissioner Slesnick: And if the City wanted to build another parking garage, so if we didn't take one of the RFPs that's out, would we, like in another year, maybe borrow 10 million to build a parking garage?

Finance Director Gomez: Most likely, we would.

City Manager Swanson-Rivenbark: We -- Kevin Kinney will tell you that we pay our parking debt off very quickly with a parking garage, and that whether we use parking revenue bonds or we use some other vehicle to do that. We are looking at a couple of different options for you to consider later on the idea of City constructing another garage, and you'll see how -- what a good investment that is.

Commissioner Slesnick: Because I heard it's normal -- normally, it's like ten years to pay off a parking garage, and we're paying off in five or six or six or seven?

City Manager Swanson-Rivenbark: Some cities take 20 years to pay off, and we're in what, 7 years, Kevin?

Parking Director Kinney: Seven years to be in the black.

City Manager Swanson-Rivenbark: Seven years to be in the black.

Commissioner Slesnick: For the Museum parking garage?

(COMMENTS MADE OFF THE RECORD)

Commissioner Slesnick: It's a beautiful garage though.

Assistant Finance Director Kleiman: And let me just clarify. It's seven years to be in the black because you're covering debt service, and then you're actually making a profit.

Finance Director Gomez: But the actual debt is a 20- or 30-year debt issuance.

Commissioner Slesnick: But you're making a profit to pay off…

Finance Director Gomez: Correct, correct.

Commissioner Slesnick: Your mortgage payments a little…

Finance Director Gomez: So, the payoff period is that seven or ten years, but the actual debt, the bonds are for twenty years or twenty-five years.

City Manager Swanson-Rivenbark: Because we structure it that way.

Finance Director Gomez: Exactly.

City Manager Swanson-Rivenbark: (INAUDIBLE) more aggressive…

Assistant Finance Director Kleiman: Right.

Mayor Cason: Okay.