

## **City of Coral Gables City Commission Meeting**

### **Agenda Item H-3**

**May 26, 2009**

**City Commission Chambers**

**405 Biltmore Way, Coral Gables, FL**

#### **City Commission**

**Mayor Donald D. Slesnick, II**

**Vice Mayor William H. Kerdyk, Jr.**

**Commissioner Maria Anderson**

**Commissioner Rafael “Ralph” Cabrera, Jr.**

**Commissioner Wayne “Chip” Withers**

#### **City Staff**

**City Manager, Patrick Salerno**

**City Attorney, Elizabeth Hernandez**

**City Clerk, Walter J. Foeman**

**Deputy City Clerk, Billy Urquia**

**Finance Director, Don Nelson**

#### **Public Speaker(s)**

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H-3 [Start: 9:47:34 a.m.]

Resolution amending budget of estimated revenues and expenses of the City of Coral Gables, Florida, for the fiscal year 2008-2009.

Mayor Slesnick: Mr. Salerno.

City Manager Salerno: Item H-3 is a resolution amending the annual budget of estimated revenues and expenses of the City of Coral Gables, Florida, for the Fiscal Year 2008-2009; Don.

Mr. Nelson: Good morning. The Mid-Year Budget Report for the 2008-2009 Annual Budget provides an opportunity to conduct a financial review of the past six months of actual revenues and expenditures, and compare those to our budget of revenues and expenditures, and make the necessary adjustments going forward for the remainder of this Fiscal Year. In reviewing the revenues and expenditures, the total revenues at the beginning of the fiscal year on October 1, 2008 was one hundred and forty-three million, twenty-one thousand nine hundred and seventy dollars (\$143,021,970). This was a decrease from the projected revenues, a decrease of five point five million dollars (\$5.5 M), or a four percent (4%) reduction in our revenues from the beginning of the year, four percent reduction. The most significant loss of revenues that we are incurring is in relation to the construction related industry. The City receives as you know, permit revenue; review fees of various Boards; that total revenue at the beginning was projected eight million dollars (\$8,000,000), is down two point four million dollars (\$2.4M), as a result of the construction related industry. Other revenues that have decreased are provided from inter-governmental revenues that we receive from the State of Florida through Miami-Dade County. As an example, State Sales Tax Revenue, from the State, is down three hundred and eighty

thousand dollars (\$380,000); state revenue sharing is down one hundred and fifty thousand dollars (\$150,000); and transportation sales tax is down eighty thousand (\$80,000). Other revenues that we get, gasoline sales tax is down that we use for street resurfacing, down eighty thousand (\$80,000); and even electric franchise and utility taxes that we receive from every Florida Power and Light electric bill is down seven hundred and fifty thousand (\$750,000) on an eleven point six million dollar revenue source that we generate from utility taxes and franchises. City generated revenues that we receive, as an example, from on-street parking, the garage and garage permits, all of our parking activity is down four hundred and ninety-eight thousand dollars (\$498,000) of an eight point nine million dollar (\$8.9M) revenue budget that we receive every year in our parking enterprise; even recreational activity fees three hundred and fifty-nine thousand dollars (\$359,000), down from a four point five million dollar (\$4.5M) budget that we receive from recreation fees. On the expenditure side, the total annual operating department expenditures beginning October 1, 2008 was a hundred and thirty-five million three hundred and seventeen thousand six hundred and eighty-eight dollars (\$135,317,688), a hundred and thirty-five million beginning budget; however, this was adjusted upward to a hundred and thirty-eight million six hundred and sixty four thousand (\$138,664,000), a net increase of three point three million dollars (\$3.3M). The \$3.3M dollars increase in expenditures, and this is operating expenditures, was primarily due to a two point two million dollar (\$2.2M) retroactive wage adjustment that was provided to the general employees and to the Firefighters going retroactive back to July 1, 2007. This was a contractual issue that we dealt with, it was not budgeted for at the beginning of the year when we settled on that retroactive wage adjustment. We also provide subsidies to the Venetian Pool and Granada Golf Course from the General Fund; we had to provide additional subsidies to the Venetian and to Granada Golf Course of two hundred and forty-three thousand dollars (\$243,000) at Mid-Year, an increase. Added funding also for Charlie operations was a hundred and seventy-nine thousand (\$179,000); we also provided ninety thousand for professional services to conduct a study; and also, we did a transfer from the previous year budget of six hundred and forty-three thousand (\$643,000) from last year's budget to this year's current budget, for what they call incumbencies which were purchase orders that were incurred the previous year. We just transferred the money over to the new year when the purchases occur in the current fiscal year. So that really isn't an increase, it's a transfer from last year to this year. The capital improvement program, the City provides capital improvement funding of four million seven hundred eighty-seven thousand dollars (\$4,787,000). This increase from the beginning of the year, nine hundred and twenty-two thousand dollars (\$922,000), beginning October 1<sup>st</sup>, the added funding was a resolution that was approved by the Commission earlier in the year of five hundred and forty-seven thousand (\$547,000), and this was to provide three hundred and thirty-seven thousand (\$337,000) more for the museum, and two hundred and ten thousand for the Country Club; however at Mid-Year there is additional funding request to the Country Club for capital improvements that is required and requested of three hundred and seventy-five thousand (\$375,000) to cover added capital improvements to the Country Club, bringing a total for this year's appropriation for improvements to the Country Club of five hundred and eighty-five thousand dollars (\$585,000). So the breakdown of the capital improvement program of four point seven million (\$4.7M) is, two million five hundred fifty thousand (\$2,550,000) provided to sanitary sewer improvements for the Old Cutler Road, and lift stations, and realigning of sewer lines; one million one hundred sixty-five thousand (\$1,165,000) for roadway paving and curbing; a hundred and fifty thousand (\$150,000) for stormwater improvements; three hundred and thirty-seven thousand (\$337,000) for the museum; and five

hundred and eighty-five thousand (\$585,000) for the Country Club of Coral Gables. To reduce and mitigate the impact of this budget reduction of the revenues being decreased, and the impact of expenditures increasing, the City has implemented a hiring freeze on twenty-two vacant positions; currently we have twenty-two (22) vacant positions that combined with letting sixteen (16) part-time employees go resulted in a one million four hundred and forty-five thousand dollar (\$1,445,000) savings for the City; twenty-two (22) vacant full-time positions, sixteen part-time positions. In addition to that, we have reviewed every capital item, capital expense item that has been budgeted other than contractual required purchases, and we are not spending going forward three hundred and seventy thousand (\$370,000) of capital equipment from this point forward, that is on hold and not to be spent. We also have reviewed every department operating line item, and looking at every discretionary purchase by departments to reduce expenditures at the department level for discretionary items. The Mid-Year Budget again is a five point five million dollar (\$5.5M) reduction of revenues; three point three million dollar (\$3.3M) increase of expenditures, primarily contractually related, and that is before you. The resolution to amend the budget is requested for your approval.

Vice Mayor Kerdyk: Can I ask a question regarding process in general? Thank you very much for your Mid-Year Budget Report, Don; you know, we gather annually at this time of the year and you present to us the budget, but Mr. City Manager throughout the year the City Commission makes fiscal decision that affect the City of Coral Gables, and on those occasions we need all the documentation and the data of what is happening throughout the City of Coral Gables from a fiscal standpoint; and I want to make sure in the future that we are provided an up to date real time type of, that real time data from our financial office, through your office, so that we can make the prudent decisions whether its labor negotiations or whatever other situation is with expenditure of funds for the residents of the City of Coral Gables. In this particular case I think that unfortunately we've made some decisions that we wished we could possibly take back, because we didn't have all the information; I just don't want this to happen again in the future; and basically I'm looking at your office, Mr. City Manager, to make sure that this does not happen again as far as providing us all the data we need when we make those tough decisions.

Commissioner Cabrera: You have served the City for how many years now?

Vice Mayor Kerdyk: Fourteen years.

Commissioner Cabrera: You got me, you know, and all the years you served the City and Commissioner Withers served the City, have you had issues pertaining to not getting that information on a timely basis.

Vice Mayor Kerdyk: Before....

Commissioner Cabrera: And I'm not trying to put you on the spot, because obviously what you are eluding to is, we've got a lot of bad information right after the election and right after the new City Manager took the position.

Vice Mayor Kerdyk: We've had other situations; we had the Country Club situation a year before that we didn't get the information as quickly as we should have, and throughout the years

we have had situations that would have affected the budget that maybe we didn't get all the information as quickly; but unfortunately we were living in different times then....

Commissioner Cabrera: No, I agree, I agree.

Vice Mayor Kerdyk: Now things are much different, and everything that we do affects how we govern, I mean, the budget is a big component of how we govern. When we were flushed with cash, yes, shame on us, which maybe should have dealt with situations a little bit differently, or maybe we dealt with them correctly.

Commissioner Anderson: We thought we were getting the information, that's the problem.

Vice Mayor Kerdyk: All I'm doing is to make sure in the future we get the information...

Commissioner Anderson: I totally agree.

Commissioner Cabrera: I'm supportive, I'm supportive of what you are trying to do; I'm most supportive, I just want to have dialogue over the issue because personally I've never served in the last eight years in a position where we've been flushed for cash; I mean, I've always said, and some of you have always been hard on the financial side of things, but I guess the most disturbing part of all of this, and I appreciate that you took the leadership to discuss it, is the fact that it just hit us square in the face, and unfortunately for Mrs. Anderson and I, the allegation is we knew all of this before hand, and we wanted to keep it under wraps so that we could get reelected and its very disturbing; I can't speak for her, but its disturbing in general for that to occur. The disappointing thing is we should learn from past mistakes, I mean, the fact that you mentioned the Country Club issue, is a perfect example that, that was one instance that we should learn from and it didn't happen. I can't blame our City Manager because he was nowhere even near Coral Gables at the time that we learned that the Country Club had not been making payments for somewhere around six months, but its certainly...I can tell you that if this were to continue to occur, I would ask this Commission to take some corrective action on staff, I just see no other way, and the Charter allows us to do that, and I personally see no other way than to tackle this so people understand how serious your comments are, and that's what I wanted to get off my chest.

Commissioner Anderson: Totally agree.

Commissioner Withers: Don, are these the numbers projected throughout the end of the year?

Mr. Nelson: Yes. As you know going forward....at the beginning of the fiscal year we prepare a budget that's delivered to you on July 1<sup>st</sup>, we have a workshop; really the revenue estimates that are done in June, they are reviewed during the year, this is a projection of what has occurred in the last six months actual, and a projection of the next six months which is not likely to change or get better, its going to likely to get worse before its gets better, in our revenues, particularly in our construction area. So these are the best estimates for revenues and of course expenditures.

Commissioner Withers: In response to Commissioner Kerdyk's or Vice Mayor Kerdyk and Ralph, I think in the past we've seen one and two percent (1%-2%) hits and we've been able to recover in a year or the following year; I don't think we've seen eight or nine or ten percent hits like we see here, so it's a little more challenging, but here's my question; we've always had the semi-annual review, how difficult is it going forward to do either quarterly reviews or every other month review, if that's what we need to do, to keep our finger on the pulse, how difficult; you said you pulled information together in June, is it real time information that we can get every quarter or every two months, or I don't know what the Commission's appetite for that would be, instead of waiting until September and then waiting until the following Mid-Year, maybe we do it every quarter.

Mr. Nelson: Right. The quarterly is of course the best reporting mechanism. Of course, let me start from the beginning; every department, everybody has the ability throughout the City to go real time to look at every revenue and expense; however, on a reporting basis quarterly of revenues and expenditures as has historically been done, the Mid-Year is much more involved because its not just recording revenues and expenditures actually budget, but its re-projecting for the entire year. It also encompasses all the funds where when we report quarterly its budget actual, there is no change, there is no amendment; this is actually an amendment to the budget that you adopt October 1<sup>st</sup>, we are asking that amendment to the budget, then we now compare the actual to this revised budget, and that's what you'd want to see, how we are doing actual to now the projected budget for the remainder of the year, that's important to make sure we are on track going forward for the rest of this year. Again, the Mid-Year, the difficulty of the Mid-Year its so comprehensive because it involves all funds, and every fund has a relationship to the General Fund because there are transfers as I mentioned, subsidy to the Venetian Pool, and the Granada Golf Course, and the relationship of the parking revenues going to the General Fund, that's why its very comprehensive and it doesn't come to you until May, even though we do it Mid-Year.

Commissioner Withers: Well, how does the Commission feel about....?

Commissioner Cabrera: Quarterly?

Commissioner Withers: Well you have the Mid-Year, but then have an abbreviated quarterly report?

Commissioner Anderson: Yeah, of course.

Commissioner Withers: Is that possible? Did you want to comment on that Mr. Manager?

City Manager Salerno: I think the quarterly reporting makes sense in this instance here; Mid-Year's are fine, but frankly they are...in these economic times they are too late, things are changing too fast, the magnitude of this economic downturn hasn't been seen in any of our lifetimes, so this takes extraordinary measures and certainly the idea of a quarterly report is something that I was going to institute administratively as part of the measures, so the idea of I would think perhaps the Finance Department should prepare a quarterly report, the Mid-Year coming before the Commission; and if amendments need to be made on a quarterly basis, we do

so quarterly, but the Commission should get a report quarterly, and scheduled for action as staff deems appropriate and/or as the Commission, members of the Commission may see that action is necessary. So the report quarterly was going to be instituted administratively, so that I'm sure that we are all seeing the data on a more current basis, whether or not that needs to be presented quarterly at a Commission meeting versus given quarterly to you all, I think we can see how it goes. Certainly this action today doesn't cure our financial ills; I don't want the Commission to sense that this is a stop-gap measure that we are taking today to address our financial challenges. We have a lot of work to do over a sustained period of time in order to get us moving in the right direction. We can and will right this ship financially speaking; that's not to say there won't be difficult decisions to be made by the Commission and staff in the ensuing months and year. I certainly have the confidence that if all the stakeholders really care about this City and work together, we cannot only address our challenges, but emerge a stronger and better community, but its not going to be quick and its not going to be easy, but I certainly believe as been suggested here, and as I was going to do administratively, a quarterly report is very appropriate.

Commissioner Withers: Let me just ask the Commission how they feel. We heard Don talk about the frozen positions and eliminating part-time, we heard about the City rescinding the offer to the general employees; how does the Commission feel moving forward with the City Manager, and again I don't know if its in our Charter. Let's say that the City Manager decided to do a ten percent roll back on salaries across the board, I'm not saying you are going to do that, is that something we as a group want to be part of in an administrative decision, or do we want the City Manager just to move forward with decisions like that? You understand what I'm saying?

Commissioner Cabrera: I do.

Mayor Slesnick: That would be a collective bargaining issue so we are going to have to....

Commissioner Cabrera: Yeah, that example is a collective bargaining issue.

Commissioner Withers: That's not a good example.

Commissioner Cabrera: But you know, I think your point is any and all other administrative type decision. You know what the problem that I have, I've been stung already, not by our present City Manager, but I've been stung and I'm not going to continue to allow myself to be stung. So for me to give up that kind of control is not comforting, not that I want to micro-manage the process, because now after eight years...

Commissioner Withers: I just think you know Ralph, I think for the next six months to a year there is going to be some tough decisions.

Commissioner Anderson: Absolutely.

Commissioner Withers: And I just want to know how we are going to communicate as a group or individually to the City Manager moving forward on some of those tough decisions. I don't want, I guess I just us to all pull in the same direction and kind of all feel we generally agree with the direction we are taking.

Commissioner Anderson: Maybe that's something we have to discuss separately as an agenda item talk about how we are going to make those decisions, because I agree; I think we have to try to roll in the right direction, the same direction to get through this, but I have to put on the record how my communication with the City Manager, and I wanted to thank him for, you know, having the courtesy on the Monday after being sworn in to tell me such hard news, and I appreciate that. I don't mind getting hard news as long as I know we are going to be headed to better times at some point, but we are going to make some tough decisions. Some of these tough decisions we are going to have...I have to tell you how disconcerted I was knowing that the times we sat in executive sessions that we didn't have the right information to decide on contracts, it really blew my mind, because during my whole campaign the pride I had that we had restored our reserves, and now we are going to have to look at things really differently; and being stung as Commissioner Cabrera says too, after accusations being made of knowledge before hand is really painful. I agree we have to move in the right direction, I think we are going to make it through, but I just want to put it on the record, I am just really unhappy about what's happened, and how it came about, and I wish we could have instituted some type of...I mean, I know its not going to happen, but in order to position at one point would have been really good to have given us a channel, I know that right now its not the time, but I'd wished we had better information because I certainly would have made certain decision in a way different way; this is my chance to get this off my chest and thank the new City Manager.

Commissioner Cabrera: And for me going forward, I'm sorry were you going to say something?

Commissioner Withers: Yes, that's exactly my point is that information, how as a group do we expect to get that information; do we expect to get it individually?- or do we expect to get it as a group?

Commissioner Cabrera: I would hope both.

Commissioner Anderson: Yeah. I think one of the things that's really important during these really hard times is, and I was talking to our City Manager about it early on, he talked about Coral Gables as a brand, and I said absolutely; when we communicate to our residents, when we communicate amongst ourselves these are hard times and we have to remember that the brand is really important; and as we go through hard times we have to remember that the brand is something that we have to uphold when we make those really tough decisions, because those talk to priorities and values and the things we treasure. What are we going to look at to reduce or to cut or whatever, is going to be based on those bigger policy issues, and the brand of Coral Gables people love their City, and they want to know that we are taking good care of it, so I think they need to hear the good stuff, the bad stuff, and the stuff that also says that we are going to make it through OK, and we are going to come through it. I think that's really, really important to communicate publicly.

Vice Mayor Kerdyk: You know it's my opinion that the City Manager will probably bring a lot of these issues up at our budget workshop, so that he comes up with a collective way of approaching this. I don't think its going to be small issue here, bits and pieces there, I think its going to have to be a comprehensive report from the City Manager and a recommendation from

the City Manager, and yes, I agree with you; I think we need to legislate in the good times, but we also have to legislate and make the tough decisions too, and we need to do that as a team, and move forward in that direction.

City Manager Salerno: Mayor.

Commissioner Cabrera: You know, the thing is going forward, I am really looking for that comprehensive approach and that's systemic way we are going to handle, because thus far what we are hearing is stuff that has been done in order to react and reduce that deficit; I mean we've always had unfilled positions, and those positions have been much higher than twenty-two (22)?

Mr. Nelson: Twenty-two (22).

Commissioner Cabrera: Yeah, so I remember a time we had forty-nine (49) or fifty (50).

Mr. Nelson: Correct.

Commissioner Cabrera: So these are things that I appreciate, but I'm really looking more at the comprehensive approach that needs to be looked at by all of us and needs to be discussed at a public hearing, and the reason that I feel so strongly about that is that really, when we leave these Chambers and we walk out in the public, and whether it be on Miracle Mile or at an event elsewhere, we are the ones that get put to task on what is the condition of the City, even the idiotic blogs that write about the issue; and so why not get it out in the open now and get it worked through. I'm certainly supportive of a quarterly until otherwise we as a group say, let's stop the quarterly, you know, I agree with that. I'd like to start it now.

City Manager Salerno: As I said, members of the Commission, the idea of doing quarterly is being instituted administratively; we can't wait on six months reviews in these economic times, they must be done quarterly and for that matter, Finance needs to be reviewing revenues, and I'm not saying they are not, but they need to be reviewed on a more frequent basis than that, and certainly a report on a quarterly basis is absolutely appropriate and is being done administratively without action of the Commission, we are going to do that. We have some dates that is going to be very important; one coming up is June 1<sup>st</sup> when we get our property tax information, and in order to try to develop a strategy absent that the coming fiscal year is difficult to do, and not less than, or within approximately thirty (30) days thereafter a proposed budget will be forthcoming, that as I've indicated when we discussed things one-on-one its going to take a combination of measures, both on the expenditures side and on the revenue enhancement side in my opinion, without even knowing what the impact of June 1<sup>st</sup> information will be. Certainly the first significant action that I took was not one that I wanted to take by having to withdraw the general employees contract from the table two days before they were going to vote. Those actions were necessary, and there are going to be...the way the City moves forward and the way it does things in the future has to be significantly different than the way its done things in the past, and those measures as those opportunities come forward will be different. I certainly hope, I've taken the time to meet with individually other stakeholders, you know, principally labor; I've met individually with members of the general employees; I've met with Fire and its representatives; and I've met with Police, not in negotiations, but in a general give and take of explaining where



we are and just asking for their assistance and cooperation as we move forward through these challenging times; and I continue to use this opportunity and ask our partners in labor to work with us here so that the best decisions get made, that affect both the residents and their members; we'll have to do those through the collective bargaining process. So many of those decisions that would be desirable and necessary for us to take even at this moment, unfortunately can't be taken until we address those through the collective bargaining process. If you look at our budget it is almost all personnel related costs to a significant extent, so to a great extent we have to work with our partners, labor, to address those issues, but there are opportunities to do so if we don't have the ability just to make unilateral changes at any given time, we have to take those opportunities and work in a constructive fashion with our partners for the betterment of the community and our workforce. That's the approach I'm taking with them; would it be easier to have that ability to implement changes right away?- absolutely, but we are just not legally allowed to do so, and we have to work within the confines of Florida Statutes as far as collective bargaining. So the time frame that we will be making changes will be over a six to eighteen month period. We have asked different bargaining units to expedite this process, some have stepped forward I would say in a constructive fashion, and agreed to do so; others have not and that's unfortunately, but we will move forward, we will address these issues, and I can assure you in the future staff won't be proposing salary and benefit packages that have to be withdrawn from the table before a vote.

Vice Mayor Kerdyk: There is one last direction that I'd like to bring to your attention, and I know that you mentioned June 1<sup>st</sup> we are going to get our assessment values; June 1<sup>st</sup> is also the date that Dade County sells the tax certificates?

Mr. Nelson: Yes – correct.

Vice Mayor Kerdyk: So do you monitor that to see how many tax certificates are sold versus what we budgeted?- as far as the five percent figure goes against the receiving of the tax money for the year previous?

Mr. Nelson: As you know, what I project is ninety-five percent (95%) based on the certified value on July 1<sup>st</sup>; and interestingly as you know last year we were one of very few cities in the South Florida area that actually had an increase in our values, which was unbelievable after you take out the doubling of the Homestead Exemption, it increased. We've already predicted and we've talked to the property appraiser the June 1 number will be down, but they would not say how much. We do monitor the valuation hearings that are filed before the Value Adjustment Board of Dade County; there are a number of unprecedented requests to have the property values heard before Value Adjustment Board Hearing Officer. The sale of the taxes is a process that does occur June 1<sup>st</sup>, you're right, and that doesn't relieve the tax, it just postpones the collection of that tax to a later date. So that could impact our five percent (5%) amount that we are monitoring. We actually have a listing of everyone that has been filed for sale that is published in the Miami Review.

Vice Mayor Kerdyk: I can tell you in my opinion after looking at the Daily Business Review and checking it against previous years, it seems to me that there are more people having these tax certificates sold as of June 1<sup>st</sup>, which would prolong the time that the City can collect the funds.

So next year when you go and you put your figure on the previous years have always been five percent, you might want to look closely at that knowing that next year might even be more of a difficult year than this year has been.

Mr. Nelson: Yes. You are correct.

Mayor Slesnick: OK, I am looking for a motion on the resolution amending the annual budget and approving the Mid-Year adjustments.

**Vice Mayor Kerdyk: So moved.**

**Mayor Slesnick: Moved by Mr. Kerdyk.**

**Commissioner Withers: Second.**

**Mayor Slesnick: Second by Mr. Withers; any further discussion?**

**Mr. Clerk**

**Vice Mayor Kerdyk: Yes**

**Commissioner Withers: Yes**

**Commissioner Anderson: Yes**

**Commissioner Cabrera: Yes**

**Mayor Slesnick: Yes**

**(Vote: 5-0)**

Mr. Nelson: Thank you.

Mayor Slesnick: Thank you.

[End: 10:22:25 a.m.]