

**City of Coral Gables City Commission Meeting
Agenda Item H-1
March 8, 2011
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
Interim City Attorney, Lourdes Alfonsin
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Finance Director, Don Nelson**

Public Speaker(s)

H-1 [Start: 11:19:29 a.m.]

Presentation of Quarterly Report for the three months ended December 31, 2010

Mayor Slesnick: We are the City Manager Item H-1.

City Manager Salerno: Thank you Mayor. Don will make a brief presentation on the first quarter of FY 2011.

Mr. Nelson: Good morning. This is the review of the Quarterly Financial Report for the first three months of the fiscal year, which ends December 31, 2010. What we are doing, we are comparing actual revenues to total annual budgeted revenues and we are also going to compare actual expenditures with total appropriations for all the departments. So that's what I'm going to be showing you. If you look on the report on Page 3, you'll see the schedule of revenue, budget and actual, and if you look at the very bottom of Page 3, you'll see that the first comparison shows total annual revenues for the first quarter of \$69,766,000 compared to the total budgeted

revenues of \$146,259,000. So it shows 48 percent collection at this period of time for the first quarter; first quarter being 25 percent, we are almost half way collecting for the year. If you look at the first line item on that sheet, which is Property Tax, which is again our most significant revenue source of the City, you'll see the total budgeted property tax for current property is \$68,205,000, where collected as of 12-31-10 \$50,339,000, or 72 percent collected. This compares and tracks comparatively with last year, and we looked at where we are as of February 28th, and we have collected \$56 million dollars or 82 percent of our property tax. So that's a good – we are on track. The other revenues that we look at during the year, of course the large revenues, the Electric Franchise Tax, which is \$5.2 million, Electric Utility Taxes another \$5.3 million, all of these various revenue sources we compare, we look, we compare it with last year to make sure we are on track on the collectability and the timing, and of course the timing as you'll see, the notes on the right side are when we collect the revenues. We are on a cash basis on this report as opposed to an accrual basis. So you'll see some we haven't collected because they may come in once a year, some are collected where they only show one month or October, if it shows November it would be two months, in December three months. So the timing of these varies throughout the year on the revenues, but the main important point is that at 48 percent collection on revenues, last year we were at 47 percent in comparison of our collectability of all the revenues. If you look at Page 4, the next page it shows a comparison of total budgeted appropriations....

Commissioner Cabrera: Mr. Nelson before you leave Page 3, I'm just curious, if you look under General Government Fees and specifically Board of Architects, and the revised annual budget was \$232,000, but the actual revenue was \$240,000, so that's an increase of 103 almost 104 percent, is that based upon the fact that those fees have gone up?- or has there been greater activity?

Mr. Nelson: Activity. That is because of activity. Right now as of December – here we have three months and we've collected for the full year in the first three months.

Commissioner Cabrera: OK. So it's the activity that caused it to be as high as it is?

Mr. Nelson: Yes.

Commissioner Cabrera: But there have been also higher fees.

Mr. Nelson: There have been, but the fee structure that we adopted is included in the budget for the annual revenues, they are already built in.

Commissioner Cabrera: So they are all based upon activity.

Mr. Nelson: So what we are doing is comparing actual revenue with those increases built into the budget that has built in increases, and comparing increase to increase, budget actual; and so strictly that one is activity, which is good, very good result. If you look at Concurrency Fees the same thing, Certificate of Use, the activity is showing, good activity. On the next page, Page 4, you'll see that these are all the department expenditures, every department you can look and compare that the total budget of \$128 million dollars compared to our expenditures of \$25,800,000, we are at 20 percent expended; 20 percent expended compared below the 25 percent for the quarter. We are constantly monitoring the expenditures during the year; we are making sure that we are meeting the budget, every department is responsible for adhering and making sure that they adhere to the budget, and it reflects that in the numbers. Again, we are at 20 percent expended for the first quarter on our expenditures. The other pages are the....

Commissioner Cabrera: Let me stay on Page 4 for a minute.

Mr. Nelson: Yes.

Commissioner Cabrera: Under Parks and Recreation and specifically the special events division, is that 63 percent of expenses thus far because of the high number of special events that took place in the first quarter of the year?

Mr. Nelson: Yes, that is a result of the Christmas activity, that is our biggest event of the year, and the most costly event and that's already been reflected in the charges; the other event which will be Easter which is budgeted for is the Easter Egg Drop will be included and that's pretty much the event for the year.

Commissioner Cabrera: So it wasn't the fact that the events were costing us more money, it's just the fact that the events took place earlier.

Mr. Nelson: Its timing, it's seasonal.

Commissioner Cabrera: OK.

Mr. Nelson: But all the other ones as you go down and you track to the right percent of budget is below the 25 percent of mark, which is very, very good. The other pages you'll see the storm water utility and the various enterprise funds, these enterprise funds they are accounted for like a business; they show all the costs, the revenues, they are fee generated. As you know, we have Sanitary Sewer Fees, Storm Water Fees, Venetian Pool, and they track and they are budgeted for like a business. We also depreciate assets, we account for them as a business, we also provide a

subsidy and each of those funds stands on their own, meaning that the reserves in those funds stay within the fund and the fee structure is generating enough revenue to support those except for a few, of course we have historically subsidized like the Venetian Pool, Granada, and the Tennis Centers, those we have always subsidized, but as far as the report, the first two pages show revenues tracking and our expenditures under the 25 percent mark; and so as we go through the quarter it is very critical, the very first quarter is early, we don't know what the future will bring of course, that's why we are constantly monitoring our expenditures making sure that we stay below our budgeted expenditures and making sure that the revenues are coming in as projected, very important, so that by the end of the year we would have met our budget.

Commissioner Withers: Don, the Revised Annual Budget, is that – I don't remember seeing the word revised on quarterly reports. Mid-year I know we adjust it, but what's the terminology for revised?

Mr. Nelson: Revised is where we adopt the original budget at the end of October and then during the year...

Commissioner Withers: Beginning of October.

Mr. Nelson:...Beginning of October, thank you; we will have revisions and we will bring those to you as to amendments or reappropriation of funds, or an appropriation of funds in the agenda item. So whereas historically we would wait on those items and do them all at Mid-year, we are doing them now, as you see the agenda item before you.

Commissioner Withers: So not all these numbers have changed in the revised budget...

Mr. Nelson: No.

Commissioner Withers:...There might only be one or two line items that have changed.

Mr. Nelson: One or two and generally they are regarding grants as an example, when we receive a grant and if it's a new item we'll appropriate the revenue and we'll appropriate the expense.

Commissioner Withers: So its revised based on actual numbers received or is it revised based on a new projection for the year?

Mr. Nelson: A new projection, but only for those items that you have seen in your agenda item as an example...

Commissioner Withers: An increase in estimated fees.

Mr. Nelson: Right – now these revenues have not been readjusted or amended, they are the same ones that you have adopted October 1, the only change would be items that have been brought to you through a resolution since October to now, and it would say we are amending the revenue side and the expenditure side for an estimate of a receipt of let's say a grant, or \$100,000 that we are going to be receiving a grant and we are going to spend \$100,000, that would be shown as a revenue estimate and an expenditure estimate.

Commissioner Withers: I know you are tracking revenues and expenses, is it cash flow timing issue mostly?- it seems favorable, I mean, the overall report seems very favorable. If you are considering more on the revenue side, I understand property taxes are a big part of it...

Mr. Nelson: That is a big part.

Commissioner Withers:...But the expense side you would think you would be at 25-30 percent, so you are under that. So is it actually that it's good news overall other than just cash flow and timing or what's your opinion on that?

Mr. Nelson: No, no. It's tracking as it has last year but revenues, let me talk about revenues first, revenues the biggest part and that's why I pull out property tax first, that's the largest share of our budget and we receive the majority of that up front, so that skews the revenues higher the first quarter...

Commissioner Withers: The first quarter.

Mr. Nelson:... And then as we go through the year we are looking at everyone of these line items to make sure because then property tax is then going to drop down because it's been collected already.

Commissioner Withers: That's why I said the expense side is tracking; it's probably easier to track.

Mr. Nelson: It is because of all the timing differences and as I mentioned earlier, because we are on a cash basis, not on an accrual or revenue, it's a timing and some of these we don't collect until the end of the year, sometimes we collect at the end of the year, leases are sometimes one time, quarterly, monthly, property tax is up front. So that varies and that's why each quarter it's so important we can't let down on saying, well on the surface this looks good, it looks good, but in comparison with last quarter it's the same. So until we look at March 31 and June 30th on the

revenue side, we want to make sure that nothing starts dropping off like the ones that I mentioned earlier, like Franchise Taxes and Excise Taxes and Sales Taxes and State Revenue Sharing, those are the important big ticket items that as we go through the year. Expenditures however, are a hundred percent charged to the department and as Commissioner Cabrera mentioned the only one that was up front was the Christmas Park, but all the other ones are charged as we go, we are incurring all the payroll, which is our big expense, those are all in there, they are on an actual basis but they are accurate, in other words we are not behind a payroll,

Commissioner Withers: I understand.

Mr. Nelson: And we are also charging 25 percent of our pension obligation each quarter.

Commissioner Withers: So the last question I have is on the Biltmore Hotel. Do we actually keep a balance sheet?- and do you book that like an accounts receivable for their non-payment and it just....

Mr. Nelson: Great question.

Commissioner Withers:...So the balance sheet....

Mr. Nelson: We are budgeting the revenue as being received always under the lease, we are at the end of the year accruing a receivable, booking that as an asset, and we also on the liability side, you got the asset of the receivable for the full amount, and then in the liability section we have a category called deferred revenue.

Commissioner Withers: As opposed to bad debt.

Mr. Nelson: There is no bad debt.

Commissioner Withers: I understand.

Mr. Nelson: Deferred revenue – there is no portion of that receivable that has been restricted or reserved, and the definition of deferred revenue is very important, it doesn't mean that it's to be written off or its bad, it just means that it's in excess of 90 days, that we haven't received a revenue in 90 days, and there are many other categories we have like waste bills; people that haven't paid their waste bills after 90 days, it goes into deferred revenue; and there are many other false alarm charges.

Commissioner Withers: So do you have sub-ledger accounts under Deferred Revenue or is it just one big pot out there?

Mr. Nelson: No, we actually have one amount on the General Fund, but in the notes we actually have them classified, they are shown.

Commissioner Withers: OK.

Mr. Nelson: Very important.

Vice Mayor Kerdyk: I have a follow up question to what Chip's added regarding the Biltmore and then I have a couple of comments, and I want to talk a little bit about reserves. The Biltmore Golf Course Fund is that \$380,000 which is in the Revised Annual Budget, is that figured on percentage of gross sales or is that...?

Mr. Nelson: That's fixed.

Vice Mayor Kerdyk: A fixed amount.

Mr. Nelson: Fixed – under the Management Agreement, that the City entered into with the Biltmore, that is a fixed amount.

Vice Mayor Kerdyk: OK. One comment – you made a very good point with regards to the Venetian, Granada and the Biltmore Golf Course. Sometimes a City has to provide quality of life issues for the residents and sometimes it can't be always at profits, and each one of those funds as you point out is losses, but ones that our residents certainly appreciate. With regards to the reserves – Parking Reserve Fund, how is that the parking reserve compared to last year?- So what is 2002 to 2009 reserves in the parking?

Mr. Nelson: The way the parking fund works, as you know it's an Enterprise Fund and we cover all the expenses for the parking and all the debt service on the parking garages. So all the money that we borrow to build the garages gets charged to the parking. The net result after we cover all expenses, less of course the revenue that comes in, provides \$4.5 million subsidy to the General Fund, that's a positive, that's a positive. Whereas I mentioned earlier, Granada, Venetian Pool, the tennis courts they've always been subsidized, historically they've been subsidized because we couldn't charge a fee structure that would make them break even, nobody would come because the fee structure would be so high that – so we subsidize those.

Vice Mayor Kerdyk: OK. In the General Fund, what are the reserves from October really September 30, 2009 compared to September 30th as of 2010?

Mr. Nelson: And this is the General Fund only, the difference is from September 30, 2009, the unreserved portion was \$4.5 million dollars, the estimate for September 30, 2010 is \$6.5 million, a \$2 million dollar increase in our reserves in one year in the General Fund. The final results have not been completed yet, the audit will be presented, would be completed by the end of this month, but those are projected numbers right now.

Vice Mayor Kerdyk: So just so I understand it. In the worse possible economy we have \$2 million more reserves; our reserves have increased by about 50 percent from where they were a year ago.

Mr. Nelson: Correct. Yes.

Vice Mayor Kerdyk: \$4.5 to \$6.5 (million).

Mr. Nelson: \$4.5 to \$6.5 (million) in one year.

Vice Mayor Kerdyk: Well that's very good. Congratulations to the City Commission and City staff on doing that; that's extremely good. Thank you.

Mr. Nelson: Very, very good.

Commissioner Cabrera: Especially on an election year.

Commissioner Withers: We'll take the credit; it has nothing to do with the Manager or the staff

[Laughter]

Mayor Slesnick: Special thanks to the Vice Mayor. Actually though that is great news and I know why the Vice Mayor has highlighted that because we hear a lot of things being thrown around outside about what the condition of the City is, and the City is in terrible economic shape, and the fact of the matter is I spend a lot of time complimenting the efforts of this Commission and this staff on what we've done to get through the bad times and what we've done to position ourselves for the good times, and to know that we increased our reserves by almost 50 percent in one of the worse economic years is very, very admirable. Let me ask you though about the Biltmore again. I want to make sure I understand. You know there are a lot of things thrown around about the Biltmore paying/not paying. The Biltmore is paying or is it paying, I should

ask it as an open-ended question, because I don't know, I think I know the answer, but is it paying for the Sunshine State debt for the conference center?

Mr. Nelson: Yes. They are paying and they are current on all four loans that the City has issued through the City to the Biltmore, they are up to date on the principal and interest payments.

Mayor Slesnick: And am I reading this correctly?- but they have not been paying on the golf course?

Mr. Nelson: They are not paying on the golf course, that's true.

Mayor Slesnick: Or the principal lease?

Mr. Nelson: Or the lease on the hotel. Those are the two items they are not paying.

Mayor Slesnick: They are not paying. They are paying the debt, they are not paying that. OK.

Mr. Nelson: Yes.

Commissioner Cabrera: OK. Here's a loaded question, you ready? Is there anyone who is not paying us other than the Biltmore?

Mr. Nelson: No. All other leases in the City are current.

Commissioner Cabrera: Great. That's a good answer. To try to stay on a positive note; in spite of the fact that we, from the report looks like we have an operating loss on the trolley, are there initiatives that we can take on to try to recover some of those operating losses?- and I know this is probably not a question you can answer, maybe the professional administration can answer, you are a professional and you are an administrator, but I meant the City Manager; are there efforts to try to do some advertising again?- try to find a revenue generator to help offset this operating loss, because let's face it, the trolley is here to stay and we need to be supportive of it, and we need to find ways to help it be successful. So are you aware of any?

Mr. Nelson: Well let me first make sure. On Page 14 of the budget that we adopted for the Transportation Trolley Fund, if you look at the budget which is the left side, we're actually balanced; we are \$10,000 projected to be ahead in the Trolley Fund.

Commissioner Cabrera: I know but....

Mr. Nelson: Now the actual, you look at the center column, that's a timing difference because we haven't received any revenues yet, and so of course it's going to track right now.

Commissioner Cabrera: We haven't received revenues from the half-penny sales tax?

Mr. Nelson: Right, but that's a timing issue. We received actually in October and January, so it wouldn't reflect here, but by the end of the year and of course when we book all twelve months we will have our projection as a balanced budget.

Commissioner Cabrera: But hasn't the fund, the half-penny sales tax fund that we receive from the County, hasn't it steadily shrunk over the years?

Mr. Nelson: Has it reduced?

Commissioner Cabrera: Reduced. Reduced is a better word than shrunk.

Mr. Nelson: No, it's actually stayed pretty much at \$1.3 million.

Commissioner Cabrera: OK. I was under the impression that it had reduced proportionately over the years, so I'm mistaken.

Mr. Nelson: Actually it's been very stable.

Commissioner Cabrera: OK. Well that's a good sign.

Mr. Nelson: That is a good sign.

Commissioner Cabrera: OK.

Mayor Slesnick: Just our cost...[inaudible]...

Commissioner Cabrera: Well that's another reason we should find either grant money or revenue opportunities. I'm not talking about charging a fare, I'm talking about advertising.

Mr. Nelson: The way we've actually brought down our expenses, we've reviewed...

Commissioner Cabrera: Well we've reduced our hours; we reduced our hours of operation.

Mr. Nelson: In our contracts.

Commissioner Cabrera: In your contracts.

Mr. Nelson: Very important.

Commissioner Cabrera: Hey Don, I'm just curious, Mr. Nelson, I'm sorry I didn't mean to say Don like that, I've just known him for so long that I sometimes forget. Mr. Nelson, Parking Garage Number 3, why is it so underperforming on Page 11? Which one is Number 3?- is that the non ADA (Americans With Disabilities Act) compliant one?

Mr. Nelson: Garage 3....

Commissioner Cabrera: It's got a negative 84.75; the operation is \$8,075 and the net income is a loss of 9528.

Mr. Nelson: If you look on the left again on the budget, it's actually budgeted as a loss and that's because debt service is included in there. So it never produces a...

Commissioner Cabrera: Oh, this is the Museum Parking Garage.

Mr. Nelson: Yes.

Commissioner Cabrera: OK. That explains it. No, no, no, I got it, I got it.

Mr. Nelson: OK.

Mayor Slesnick: OK. Thank you Don.

Mr. Nelson: Thank you so much.

Mayor Slesnick: Is this an item that you need accepted or just as a report.

Mr. Nelson: Just to report to you.

Mayor Slesnick: OK, but we do accept it.

Mr. Nelson: Thank you so much.

Mayor Slesnick: Thank you; appreciate your explanation.

[End: 11:43:23 a.m.]