

City of Coral Gables

*405 Biltmore Way
Coral Gables, FL 33134
www.coralgables.com*



Meeting Minutes

Wednesday, September 4, 2024

8:00 AM

Police and Fire Headquarters, Community Meeting Room - B

Budget/ Audit Advisory Board

*Chairperson Board Frank Paredes
Board Member John Holian
Board Member Joseph Palmar
Board Member Debra Register
Board Member Carmen Sabater*

Virtual Zoom Meeting Available for Pubic Participation

<https://us06web.zoom.us/j/84243975634>

CALL TO ORDER

The meeting was called to order at 8:07 by Frank Paredes

ROLL CALL

The roll was taken, and an in-person quorum was established. The meeting was also available on Zoom for public access.

Present: 5 - Chairperson Paredes, Board Member Holian, Board Member Palmar, Board Member Register and Board Member Sabater

APPROVAL OF THE MINUTES

A motion was made by Debra Register seconded by John Holian to approve the June 26, 2024, meeting minutes.

24-7800

Budget Audit Advisory Board Meeting of June 26, 2024.

Attachments: [MeetingMinutes26-Jul-2024-03-27-01-Legistar Generated](#)

A motion was made that this matter be approved. The motion passed by the following vote.

Yeas: 5 - Chairperson Paredes, Board Member Holian, Board Member Palmar, Board Member Register and Board Member Sabater

NEW BUSINESS**Discussion Re: FY 2024-2025 Budget Update**

Paula Rodriguez, Assistant Director for Management, Budget, & Compliance provided a quick update regarding the FY 2024-2025 Budget. The first budget hearing will be held on September 12th and the second budget hearing is scheduled for September 24th. The Commission will adopt two ordinances one adopting the millage rate and the second adopting the FY 2024-2025 Budget. The budget estimate presented at the first budget hearing will include changes from the July 1st budget estimate. To date the changes, include an increase in revenue of approximately \$267,000. The change in revenues includes an increase from the property tax revenue. The property tax revenue in the July 1st budget estimate was based on the June 1st preliminary property values provided by the Miami-Dade Property Appraiser. Subsequently, the property values received on July 1st resulted in an increase. Other changes in revenue include estimates for revenues received from the State of Florida and Miami-Dade County which included increases to State Revenue Sharing, Half Cent Sale Tax, and Local Option Fuel Tax. However, there is an

estimated decrease in Community Service and the Citizen's Independent Transportation Trust (CITT) revenues. The estimated increases of State revenue and the decrease in CITT is lower than past years. These can be an indicator that spending is slowing down.

CITT revenue funds the City's trolley and Freebee services and the decrease in CITT revenue created a deficit in the fund, which is being funded by a transfer from the Parking fund and some of the operating costs will be moved to contingency, while the City monitors the revenue and cost of service throughout the year. Mrs. Carmen Sabater inquired if data is being captured on Freebee and trolley usage. Mrs. Rodriguez explained that the Parking Department monitors usage and has experienced a significant increase in usage in the trolley service.

Mrs. Rodriguez continued to explain that the overall increase in revenue is going to go towards the Toledo Alava Park, as well as to City Hall. Changes in expenditures will include the reduction of new positions included in the July 1st Budget Estimate. The reduction in operating expenses resulting from this change, will go towards funding the City Hall renovation. Mrs. Register added that with the repairs City Hall requires, lowering the millage rate would not be a beneficial decision.

Mrs. Gomez asked about anything specific the Board would like to discuss for the next meeting. Mrs. Sabater explained that she would like to know if the City had additional funds, what would they put it towards? In addition, is it worth the cost of obtaining financing. Mrs. Register is concerned about how insurance agencies are unpredictable and may be unwilling to cover expenses due to the City's delay in repairs. Mrs. Gomez mentioned that we do have property insurance and perhaps Risk Management could provide more information in that regard. Mrs. Rodriguez also mentioned that an audit was completed with the tree trimming service and issues were identified with their billing, which will be presented to the Board once reviewed by Mrs. Rodriguez and respective departments.

BOARD MEMBER DISCUSSION

Review Triple A Rated Cities Spreadsheet Details

Finance Director Diana Gomez presented a spreadsheet that was requested by Mr. Joseph Palmar comparing other triple A rated Cities and how their reserve balance compared to ours. Mr. Palmar thanked Mrs. Gomez and Mrs. Rodriguez for putting together the spreadsheet and collecting the information from other Cities. Mrs. Gomez explained that the rationale behind the 25% reserve policy is that it is sufficient to cover 3 months of continual operations, as well as cover the costs of 1 major storm, or 2 minor storms. Mr. Palmar expressed that there is the potential

of lowering the reserve to 17.5%, while also obtaining a line of credit. Once the City receives the funds back from FEMA, the City can repay the line of credit and by doing this, the City can free up funds previously allocated for City reserve, to be used for other projects such as sidewalks, streets, etc. Mrs. Gomez explained that FEMA reimbursements are very unpredictable and take years to receive. The City does not always receive 100% of their claim. In addition, at the time of a storm, a lot of Cities are not only in competition to get credit, but many do not have significant reserves, and those Cities are all in competition to obtain a loan/funding and go out for bidding for vendors to assist with repairs. Mrs. Gomez also explained that it's important to consider that the repayment options and terms of a line of credit/loan as FEMA can take 5+ years to reimburse the City for the damage. During that waiting period, the city would need to repay the loan, thereby depleting the reserve balance, and if an additional storm were to form, we would go into greater debt and further deplete reserves.

Mrs. Sabater asked about the dollar amount for the delta of 8%, if we reduced the reserve policy from the 25% to 17%? Mrs. Gomez stated that it would be a \$17.6 million reduction. Mr. Palmar explained that in living in the City of Coral Gables for many years, the frequency of a need to fund repairs due to a storm, are a lot smaller than the need to free up some of the reserve money by reducing the percentage from 25%. Mr. Frank Paredes inquired about the rate of the loan and Mrs. Gomez responded that it would depend on the interest rate of the loan at the time it is taken out. Mrs. Sabater inquired if the City funds more than 25% for the reserve, and Mrs. Gomez explained that anything over the 25% would go to Capital Projects. In addition, Mr. John Holian inquired about what is done with the 25% funding and Mrs. Gomez stated that it is in U.S. Treasuries & Agencies, collecting interest. Mrs. Gomez briefly went over the process done at the end of every fiscal year, a calculation is made using the subsequent year's budget, as well as operating and debt expenditures. 25% of that number is used in calculating the dollar amount for the reserve. If the budget increases, the dollar amount would also increase, and any year end surpluses would replenish the reserve fund if needed. Mrs. Sabater inquired about contributing factors to the budget increasing. Mrs. Gomez explained that increases in salaries or professional services, for example, would contribute to the budget increasing. In addition, Mrs. Gomez explained that Capital funding would not be included in the calculation of the 25%. Mr. Holian inquired about how long it would take to replenish the 25%, if a need would require using the funds. Mrs. Gomez explained that it depended on the situation. For hurricane Irma, for example, we have not yet received the full amount from FEMA. Depending on the storm, FEMA will reimburse approximately 75-100% and the City would fund their responsibility with any year end surplus, thereby replenishing the reserve fund balance.

Mr. Paredes concluded that while he agrees with Mr. Palmar on lowering the reserve percentage, in his opinion, now is not the appropriate time to make that change. He mentioned that rather than 3 months of total expenditures, we should only fund 3 months of salaries. Mrs. Gomez emphasized that we would still need to pay contractors. Mrs. Sabater suggested that it would be helpful for the City Manager to join one of the Budget Audit Advisory Board Meetings to share his thoughts on where freed funds would go to if the 25% reserve was reduced. Mrs. Gomez explained that the financial information is gathered by Finance staff, and then presented to the City Manager. Mrs. Sabater would like the City Manager's perspective on the possible scenario of shopping for a line of credit, what costs that would entail, and how it would compare to the suggested 8% reduction. Mrs. Gomez mentioned that taking out a line of credit would not jeopardize the City's triple A rating. Mr. Holian expressed that if the City had additional funding, it should go towards bridging the gap until we receive funding from FEMA, rather than using those funds for capital projects, and the City carrying debt over the years. Mrs. Gomez also noted that credit rating agencies do not consider a line of credit to be a part of the reserve, and that could affect our rating by reducing the amount of money in reserves. Lastly, Mrs. Gomez presented a slideshow concerning hurricane reserve amount and accessibility of funds for disaster mitigation.

Mr. Palmar also made mention that there is much concern regarding the pension fund overfunding. For the past couple of years, the City has over funded the pension fund by \$33,000,000 over the actuarial requirements. He also stated that every employee of the City would not retire at the same time, which signifies that we do not need to be 100% funded. Mr. Palmar believes that if the City ceases overfunding, this would free up dollars for other items. Mrs. Gomez explained that at one point, we were the second worst in the State of Florida, and we have been able to increase from 50% to 74%. The City did not feel that is where it wanted to be with our required liability. It is the City's goal to send extra payments in order to pay down that debt. It is also important to consider the impact that a market crash can have on the pension fund. It was when we set the reserve at 25% and started making extra payments to the pension fund, that we obtained our triple A rating. Mr. Paredes inquired about when we would be 100% funded, and it is estimated in approximately 11 years. Mr. Palmar stated that by making the City of Coral Gables a highly desirable place to live, property values will increase, and many will want to live in Coral Gables, which will ultimately provide access to additional funds.

Mr. Palmar stated that he does not understand how the city budgets for losses and still makes a large profit. Mrs. Rodriguez explained that the city does not budget for losses, the City adopts a balanced budget each year. She also clarified that the conversation is not that the City does not have money; the City has a significant \$40 million dollar capital budget in

addition to the operating budget. The funding goes to priorities set by Commission. Mrs. Rodriguez also explained that the city budgets for revenues, following trends over the past years, while also relying on revenue possibly coming in a little higher than projected. Expenditures are budgeted based on a department's full need. However, our actuals generally come in below budget, creating a surplus. An example can include salaries; in this case, job positions are budgeted for the full year, although we know that there will be vacancies that in turn will generate a surplus at the end of the year. Mrs. Sabater stated that the conversation is about making sure that the City is not being so conservative that we may miss a good opportunity. She also asked if there is a way to revise the budget when revenues are exceeding budget to be able to use the funds. Mrs. Rodriguez explained that the budget is monitored throughout the year and can be amended to recognize additional revenues. In addition, the City can always slow spending needs if revenues are not coming in, as was done during the pandemic.

Review Amazon Transactions Report

Mr. Palmar requested some clarity regarding certain transactions in the Amazon audit. He inquired about the \$12,000 in gift cards transactions. Mrs. Gomez explained that the City's insurance provider, Cigna, provides the City with funds for Wellness programs. The City has used those funds to incentivize City employees to attend wellness events and activities. Mr. Palmar suggested that future audits are more descriptive in nature, as the description did not mention that the \$12,000 was reimbursed to the City by Cigna and such a large transaction can tend to raise flags. In addition, he asked if it was possible to provide any future audits/transactions in excel format, as opposed to PDF, which would make searching through the document an easier process. In addition, Mrs. Gomez explained that this audit was done internally, by staff, at the request of the Commission to determine if there was any misuse or improper use of City funds. Each department had to review their own purchases and provide the justification for their purchases. Mr. Palmar also inquired about the dollar amount that Community Recreation (parks) spends. Mr. Gomez explained that Parks purchases games, costumes, and other supplies for summer camp, which many times, these items are less expensive on Amazon.

PUBLIC COMMENT

No public comments were made.

SCHEDULING

The next meeting is scheduled for October 23rd, 2024-8:00 AM.

ADJOURNMENT

Meeting Adjourned at 9:14 AM.

NOTE

Any person who acts as a lobbyist pursuant to the City of Coral Gables Ordinance No. 2006-11, must register with the City Clerk, prior to engaging in lobbying activities before city staff, boards, committees and/or the City Commission. A copy of the Ordinance is available in the Office of the City Clerk, City Hall.

Any person, or persons, wishing to appeal any decision made by the City Commission with respect to any matter considered at this meeting or hearing, will require a verbatim record of the proceeding upon which the appeal is based. Interested persons should, therefore, take the necessary steps to ensure that a verbatim record of the proceedings is made which contains the testimony and evidence upon which the appeal is based.

Any person making impertinent or slanderous remarks or who become boisterous while addressing the Commission, shall be barred from further audience before the Commission by the Chair, unless permission to continue or again address the Commission is granted by the majority vote of the Commission Members present. Clapping, applauding, heckling or verbal outbursts or any remarks in support or opposition to a speaker shall be prohibited. Signs or placards shall not be permitted in Commission Chambers.

Any person with a disability requiring communication assistance (such as a sign language interpreter or other auxiliary aide or service) in order to attend or participate in the meeting should contact the City's ADA Coordinator Raquel Elejabarrieta, Esq., Director of Labor Relations and Risk Management (E-mail : relejabarrieta@coralgables.com, Telephone: 305-722-8686, TTY/TDD: 305-442-1600), at least three (3) business days before the meeting.