

**City of Coral Gables First Budget Hearing
September 14, 2017
City Commission Chambers
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Raul Valdes-Fauli
Vice Mayor Pat Keon
Commissioner Vince Lago
Commissioner Frank Quesada (Absent)
Commissioner Michael Mena**

City Staff

**City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Budget Director, Keith Kleiman**

Public Speaker(s)

[5:01 p.m.]

Mayor Valdes-Fauli: The meeting is called to order.

City Attorney Leen: Mr. Mayor as we are setting up, why don't I read the items into the agenda. So, before the Commission today and there is going to be a consolidated public hearing we have the following items. We have an ordinance providing for the levy of taxes for the fiscal year beginning October 1, 2017 and ending September 30, 2018, fixing the rate of such levy; providing for the segregation and the application of the proceeds of such levy; providing for the severability of the provisions hereof; and providing that this ordinance shall become effective October 1, 2017. Mr. Budget Director, do you want me to go forward and read the other items now or would you like me to wait? OK. So, be it ordained by the Commission of the City of Coral Gables, Section 1 that there is hereby levy upon all the real and personal property within the present corporate limits of the City of Coral Gables, which is assessed for taxation for the year 2017 and which is subject to taxation under the Constitution and laws of the State of Florida as now written a tax of 5.559 mils, which is a 6.30 percent increase over the rollback rate. All proceeds of the collection of this levy to be recorded into the General Fund of the City and shall

be reserved therein and disbursed therefrom for the sole and express purpose of paying the necessary operating expenses of the City of Coral Gables, its departments, offices and properties for the fiscal year ended September 30, 2018. In addition to that, the rest of the ordinance is on file with the City Clerk's office. I just need to read certain portions into the record based on state law. The next item is an ordinance adopting the Annual Budget of Estimated Revenues and Expenditures for the fiscal year beginning October 1, 2017 and ending September 30, 2018, providing for the severability of the provisions hereof; and providing that this ordinance shall become effective October 1, 2017. Whereas the City Manager prepared on July 1, 2017, submitted to the Commission a budget estimate for the expenditures and revenues of all City departments, divisions, offices and properties for the fiscal year commencing October 1 2017, and copies of such estimates have been furnished to the newspaper and library in Coral Gables and posted at the front door of City Hall; and whereas the budget estimates submitted to the Commission on July 1, 2017 in the amount of \$193,658,399 has been revised by the City Manager to include revenue and expenditure decreases in the amount of \$1,302,569, bringing the total budget amount to \$192,355,830. And, let me read in addition to that Section 1. That the following summary of estimated revenues and expenditures for the fiscal year commencing October 1, 2017 and ending September 30, 2018 is hereby agreed upon and adopted along with the supporting data relating thereto on file with the Finance Department of the City of Coral Gables as the official 2017 through 2018 Budget of the City of Coral Gables. This includes total operating revenues of \$177,552,029, total transfers from reserves of \$14,803,801. Total revenues of \$192,355,830; total operating expenditures of \$161,913,702; capital projects in the amount of \$20,733,111; total debt service appropriation of \$8,315,613; total transfers to reserves of \$1,393,404; total expenditure of \$192,355,830. In addition to that, one moment we have a lot of documents. Mr. Budget Director is that everything at this time? These items are being consolidated for purposes of the public hearing; this is a public hearing, so the public will have an opportunity to speak and with that I turn it over to the Finance Director, Mr. Mayor and the Budget Director.

Budget Director Kleiman: I believe we are starting the meeting with a video for the assessments for fiscal year 17.

[Video Presentation]

City Attorney Leen: Before I turn it back to the City Manager, I just don't want to forget, we do need to do a vote to allow Commissioner Quesada to participate in this budget hearing as well.

Commissioner Lago: So moved.

Vice Mayor Keon: Seconded.

Mayor Valdes-Fauli: All those in favor.

All: Aye.

City Attorney Leen: Thank you Mr. Mayor, that participation is because and we just need to make sure this is on the record, the Commission has already voted twice in two other hearings about this, but it's because Commissioner Quesada can't be here, obviously there is a storm going on, he had to leave, because his father-in-law had a medical emergency and so he has to be with him, so that's why he can't be here.

City Manager Swanson-Rivenbark: Keith Kleiman up to present the proposed budget for next year. Before you do, I'm sorry, you'll remember we had an extensive budget workshop with you all, we gave you the binders in early July. You asked questions and followed up over that time and so this is the first hearing of the budget, but it is the same budget that you saw at your workshop and that you had been provided by binder.

Budget Director Kleiman: Good evening Commission, Madam Manager, Mr. Attorney, we are here to discuss the FY18 Budget, the Operating Budget as well as the capital component of it. We are going to start with the first slide, there we go. This is to show you where we are, we created a calendar, we showed this before, we discussed this at the workshop, and you see right now we are on the second to last item, the first budget hearing, there is one more on the 26th, and there is still time to make changes during that if something comes up, we prefer not to, because we have to have an advertisement in the paper within the next few days. So, you'll get a chance to vote on the budget today as well as on the 26th. Before you now is the balance budget of a very high level; annual revenues \$177.5 million; transfers to, I'm sorry, transfers from fund balance of \$14.8 million for a total revenue budget of \$192.3 million; and just to make sure everybody understands, these are planned uses of fund balance. We are not touching our 25 percent reserve; we make believe it's not there. OK. Expenditure budget operating is \$161.9 million; the capital additions for FY 18, \$20.7 million; and debt service is \$8.3 million, for a total operating budget of \$190.9 million; transfers to fund balance of \$1.4 equals a balanced budget of \$192.4 million. We are going to go through some of the revenue increases now. Property tax - \$4.1 million and that is now based on the July 1 numbers. Our values went from 15.24; I'm sorry, 15.024 to 15.172. It brought in an extra \$230,000, which is included in these numbers here. Automotive Property Fees – this increase is due to the increase in fees that we put into the budget in FY 17 as well as 18. They are not as high as they are going to be until the streetscape is finished, we went very conservatively, because there are so many areas where the parking is not allowed. Storm Water Fees – the \$444,000 represents the money that is going to be set aside for sea level and this number here represents the Commission's adoption of the ten year build up program. The previous budget that was shown on the workshop was based on a five year build up program, but we showed several options and the Commission chose this one, which we recommended as well.

Utility Service Fee is going up \$425,000; Investment Income \$334; Capital Project Assessment Fees, that's to the owners of the properties along Miracle Mile and Giralda; Business Tax Receipts \$173,000, and that represents the five percent that we are allowed...every year. Rentals and Concessions based on contractual agreements \$164,000; and you see some of the minor ones there, golf fees are up 96.5, and that's just basically catching up to the older trend since the construction at the golf course. Total Revenue Increases \$7 million; Revenue Decreases – now the first two items are one-time grants that are in the budget. If they are not spent by the end of this fiscal year we will reappropriate them in the first quarter of next fiscal year, but we did not include them here until we know exactly how much they will be. The intergovernmental revenues are smaller grants that are \$831,000, again they are one-time. They may or may not be reappropriated depending on if they are spent. The Biltmore Complex that represents a reduction in debt service that is directly related to the Biltmore Complex, so they are no longer obligated to give us that money. We retired it during FY 17.

Mayor Valdes-Fauli: [Inaudible]

Budget Director Kleiman: Yes. There was long term debt, a component belonged to the Biltmore, actually they have two components, one is about \$250,000, the other was about \$500,000, and that larger component was paid off and retired during FY 17, so there is no more principal to be paid off. So, their responsibility to us has gone down as the debt has gone away. Miscellaneous Revenues decreasing by 353, that was actually mostly one, one-time item. We did well on our health care premiums and we got a rebate and that's basically what that is. The rest of the items from Public Safety Fees down to the Transportation Surtax is basically based on trend.

Mayor Valdes-Fauli: [Inaudible]

Budget Director Kleiman: I'm sorry, say it again.

Mayor Valdes-Fauli: [Inaudible]

Budget Director Kleiman: No, it's a decrease, because in FY 17 it was \$314,000, it was a one-time item that we got it was a rebate, so that we are not budgeting. So, the total revenue decreases \$7.8 million, so the net change in revenue \$786,000. Now we are going to go into the Expenditure side of the budget. Personal services and as I've mentioned last year, and for the new people on the Commission, it is purposely misspelled, it should say personnel, but going back to the beginning of budget lingo, they misspelled it and I just do it just as respect for what they've done. It should say Personnel Services, but it's written in all the books as Personal Services, just budget fun that's all. Anyway, so salaries, they change contractually by \$2.6 million; overtime is going up on a very minor amount of \$22,000. Employee Benefits –

Retirement \$293,000, which represents the one and-a-quarter percent that we ticked up the payment every year, almost like a CPI to make sure we are constantly keeping up with things and constantly increasing the amount that we pay that's extra. FICA \$138,000 is related to the increase in salaries; Workers Compensation, we are actually doing very well, we reduced that budget to bring it down to \$2.5 million; Health and Other Benefits, that is going up by 523, that is contractual due to the FOP contract. The total change Personal Services is \$3.1 million. Below Personal Services we have Professional Services that's gone up by 331, and there are a lot of ups and downs in that. I do have details if anybody wants to know what that is. The Repairs, Maintenance and Utilities are one-time items we put in the budget for FY 18, they will come out going into FY 19. Now the other large number here, there is \$901,000, the one million dollars and the 837 are one-time items included in the FY 17 budget or reappropriated from FY 16 budget that are no longer in the budget for FY 18. We balanced the budget now with some of the decreases that we got from the state and I will go into details of that and you see the number here \$384,000 is to come out of the contingency account, which was planned and we covered some benefit items for the employees and rebalancing the budget out of that, still leaving us with a \$2 million contingency. Grants – one-time items going down by \$146,000; fleet replacement is a reappropriation from the previous year, so we are still coming up with the full amount of the matrix, you can see its \$3.3 million. So, total operating decreases is \$806,000, I'm sorry, increases is \$806,000. Now Capital – we made some really big investments in Capital for FY 18. It's about \$20 million with the addition of the fleet; it's almost \$24 million. I'm just going to read off the large category numbers, if anybody has any question please stop me. Capital equipment is \$1.6 million; non-historical facility improvements \$1.5 million; historic facility repairs and restorations \$2 million; motor pool almost \$3.3 million; property improvements a million; parks and recreation \$3.3 million; public safety improvements \$1.6 million; transportation and right-of-way improvements \$5 million; utility repairs \$4.6 million, for a total Capital Budget of almost \$24 million.

Commissioner Lago: Quick question. I have a few items that I want to see if we can address them really quickly. Do we know Madam Manager, if the budget includes the necessary monies for the Monegro residence?

City Manager Swanson-Rivenbark: Can you explain the improvement and how we budgeted.

Budget Director Kleiman: Its actually already in FY 17, we made money available there, so its \$350,000 for the street ends.

Commissioner Lago: Perfect. I was trying to review this as quickly as you were going through it. Do we have monies there for a new proposal for recycling bins?

Budget Director Kleiman: Oh yes, \$96,000. That's was in the budget from the previous year.

Commissioner Lago: So it's in 2017.

Budget Director Kleiman: Yes.

Commissioner Lago: Perfect. Perfect. I think that was it for now. I was going to ask for lighting, but I think lighting is forthcoming, right?

City Manager Swanson-Rivenbark: We have significant dollars in lighting, but not the undergrounding, if that's the direction the Commission wants.

Commissioner Lago: No, no, I was talking about the upgrade to LED's.

Budget Director Kleiman: Yes, we have components and details in there. I believe it's the previous slide – yes – LED streetlight conversion is an additional \$150 and that's on top of monies already available. If you actually look in the actual budget book you'll see prior year; prior year is available and in addition to...FY 18.

Mayor Valdes-Fauli: OK. Go on.

Budget Director Kleiman: We are doing our best to keep the headcount down. This budget includes five new positions, five of which are all public safety related; four additional NSA's and one property evidence supervisor.

Commissioner Lago: So, that will bring us the NSA's to ten?

Budget Director Kleiman: Now it's ten.

Mayor Valdes-Fauli: I'd like to make a comment that in the 80's, in the late 80's we had 850 employees and we should be proud of ourselves in our efficiency. We are a bigger City, more functions, more services to the residents and we have 836 employees. Go ahead.

Commissioner Mena: I didn't know that it would come into play for this upcoming budget, I guess, but with respect to annexation discussions that are ongoing, obviously to the extent that it's forecasted to produce any additional positions.

Mayor Valdes-Fauli: That's next fiscal year.

Commissioner Mena: That would be the following fiscal year.

City Manager Swanson-Rivenbark: We are working on that now.

Commissioner Mena: OK.

City Manager Swanson-Rivenbark: It won't be included in this.

Commissioner Mena: I figured as much, I just wanted to check.

Budget Director Kleiman: Yes. We think the earliest we would get any revenue starting and this is still very close, would be FY 19.

Commissioner Mena: OK.

Mayor Valdes-Fauli: Go ahead.

Budget Director Kleiman: The proposed millage rate is the same as it was in FY 17 and 16 at 5.559 mils. Now the new average tax for homesteaded value for the City's homesteaded homes, this does not include any type of commercial property, just residential, is \$621,000, and you apply 5.59 to it the City of Coral Gables portion of the taxes would be \$3,454, that would be a proposed increase of \$166. OK now we get to some of our best slides. You can see here the five full service cities in Miami-Dade County and you can see where Coral Gables is, it's next to lowest and the lowest being Key Biscayne and they do not have some of the legacy issues we have. They don't have homesteaded properties as much as we do, and they don't have the pension unfunded liability. So, we are doing rather well compared to the other cities. So it's supposed to be number 11.

Commissioner Lago: I have eleven.

Budget Director Kleiman: So, this is supposed to be number 11 and it is based on all the proposed tax rates of the cities, so if they maintain their millage rates at what they propose and we will maintain 11 now dropping from 12. OK – and another one of our favorite slides is the pie. You can see that for every tax dollar that our residents spend only 30 cents of it goes to Coral Gables, yet we perform all the services that the residents enjoy; point two nine (.29) goes to the County; two cents to regional, which are environmental issues, the water basin; and 39 cents goes to the School Board.

Mayor Valdes-Fauli: That's what?- \$100 million a year?

Commissioner Lago: Incredible. I think you mentioned it was a billion dollars over ten, right?

Mayor Valdes-Fauli: One hundred million dollars a year.

Vice Mayor Keon: One hundred and five million dollars a year.

Mayor Valdes-Fauli: Go ahead.

Budget Director Kleiman: Oh, for the School Board, yes, I wasn't sure which one you were referring to. OK. Now the annual pension contribution – you can see the three components of it; the darker blue on the lower section is our required payment; the 3.347 thousand dollars that's the additional payment that was our commitment to pay; and then the 364, as you can see, is increased from the prior year represents the employees that are selecting the 401(k) as opposed to the pension.

Mayor Valdes-Fauli: So, we are paying \$3.3 million a year extra payment to make up for the deficit.

Budget Director Kleiman: Yes, again from the liability.

Vice Mayor Keon: The unfunded liability.

Mayor Valdes-Fauli: Go ahead.

Commissioner Lago: I say the same comment every year that is the commit that we make to the employees of the City and that is by far more than I think any Commission has ever done, so we got ourselves into a situation of having our pension slip into the unfunded that wasn't right.

Budget Director Kleiman: And, it's also a commitment to the residents because once we pay this off, this out payment goes down drastically.

Mayor Valdes-Fauli: Of course.

City Manager Swanson-Rivenbark: You are also seeing the increase on the 401 that more new employees that are entering and our pension actuary believes that the more we can totally reduce our risk through that avenue the better it is.

Commissioner Lago: I read an article the other day, it was very interesting that they talked about how people are seeing 401(a), 401(k) and that people are saying they are moving in that direction, people are saying, oh because it allows them more flexibility. A lot of people said they are moving in that direction, because of the fear that they have of the over, I think 150 trillion dollars' worth of unfunded liabilities on a national level, so people are saying they are scared of

pensions, because of the unfunded issue, so you see them transitioning a lot to 401(a)'s. I think it's better for us.

City Manager Swanson-Rivenbark: It's an election, they don't have to, but obviously they are responding.

Mayor Valdes-Fauli: Go ahead.

Budget Director Kleiman: And our final slide shows that we are maintaining our commitment to the Commission to maintain a 25 percent reserve based on the City's entire total operating budget, as held in General Fund dollars. And that's it.

Mayor Valdes-Fauli: Very impressive. Thank you very much for the presentation, very good presentation. Are there any comments?- this is a public hearing, right?

City Attorney Leen: Yes Mr. Mayor.

Mayor Valdes-Fauli: Any members of the public that wish to testify? No members of the public. The public hearing is closed. Any comments from the Commission? Alright, do I hear a motion?

City Attorney Leen: OK. Mr. Mayor for the first item, which is the tax levy ordinance that requires a four-fifths vote, just want to make sure you know that; and we need to do a vote on each item.

Mayor Valdes-Fauli: Do I hear a motion on the first item?

Vice Mayor Keon: So moved.

Commissioner Lago: Second.

Mayor Valdes-Fauli: Alright, will you call the roll please.

Commissioner Lago: Yes

Commissioner Mena: Yes

Commissioner Quesada: Yes

Vice Mayor Keon: Yes

Mayor Valdes-Fauli: Yes

(Vote: 5-0)

Mayor Valdes-Fauli: The second item, do I hear a motion?

City Attorney Leen: The second item is the budget. Mr. Budget Director that requires a three-fifths vote.

Budget Director Kleiman: Yes.

City Attorney Leen: Yes – three-fifths vote.

Mayor Valdes-Fauli: Do I hear a motion?

Commissioner Mena: I'll make the motion.

Mayor Valdes-Fauli: Second.

Commissioner Lago: Second.

Commissioner Mena: Yes

Commissioner Quesada: Yes

Vice Mayor Keon: Yes

Commissioner Lago: Yes

Mayor Valdes-Fauli: Yes

(Vote: 5-0)

Mayor Valdes-Fauli: Anything else to come before the Commission?

City Attorney Leen: Mr. Budget Director, do you have anything further? I have nothing further, Madam City Manager.

City Manager Swanson-Rivenbark: I just have one. Will the budget staff stand up, because you've done an excellent job and we are really grateful?

[Applause]

Mayor Valdes-Fauli: Wonderful job.

City Attorney Leen: Great work.

Mayor Valdes-Fauli: Thank you very, very much for doing a great job.

Budget Director Kleiman: Thank you very much.

Mayor Valdes-Fauli: Anything else to come before.

City Manager Swanson-Rivenbark: Oh I'm sorry; it says clap, clap, clap, Commissioner Quesada.

Mayor Valdes-Fauli: Anything else?

Commissioner Lago: Can you do me a favor for the second hearing. Can you just provide us with a little graph that shows unfunded versus funded?

Budget Director Kleiman: Yes – sure. Absolutely.

Commissioner Lago: I think you included that last year, I may be wrong. I appreciate that. Thank you.

Mayor Valdes-Fauli: Thank you very much. Meeting adjourned.

[End: 5:37:32 p.m.]