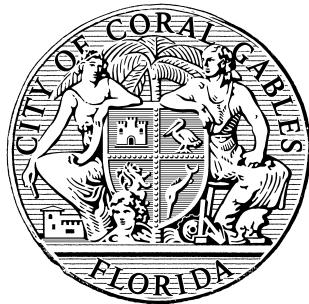


City of Coral Gables

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



Meeting Minutes

Wednesday, July 16, 2008

9:00 AM

Budget Workshop

City Hall, Commission Chambers

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*

*David L. Brown, City Manager
Elizabeth M. Hernandez, City Attorney
Walter J. Foeman, City Clerk*

Present: 5 - Mayor Slesnick II, Commissioner Anderson, Commissioner Cabrera Jr., Vice Mayor Kerdyk Jr. and Commissioner Withers

A. RESOLUTIONS

RESOLUTION NO. 2008-115

A.-1. 08-0557 A Resolution of the City Commission setting a proposed millage rate of 5.250 mills for the City of Coral Gables.

A RESOLUTION OF THE CITY COMMISSION SETTING A PROPOSED MILLAGE RATE OF 5.250 MILLS FOR THE CITY OF CORAL GABLES, FLORIDA FOR FISCAL YEAR 2008-2009, DURING THE CITY MANAGER'S WORKSHOP OF JULY 16, 2008; SAID PROPOSED OPERATING MILLAGE RATE TO BE ADOPTED FOR PRELIMINARY DISCLOSURE TO THE MIAMI-DADE COUNTY PROPERTY APPRAISER FOR FISCAL YEAR 2008-2009.

A motion was made by Vice Mayor Kerdyk, Jr., seconded by Commissioner Withers, that this motion be adopted by Resolution Number 2008-115. The motion passed by the following vote:

Yea: 5 - Commissioner Anderson, Commissioner Cabrera, Jr., Vice Mayor Kerdyk, Jr., Commissioner Withers and Mayor Slesnick II

The following is verbatim transcript of the Budget Workshop.

Mayor Slesnick: Good morning everyone. We are here for our 2008-2009 Fiscal Year Budget Workshop, and David turn it over to you.

City Manager Brown: Thank you Mr. Mayor, as we talked about yesterday, I am going to brief you on the budget. It's going to be basic today, we will bring in the frills and the whole presentation for the two meetings in September. Today we are just going to go over the actual numbers and the moving parts of this budget, so let's begin. I wanted to remind you that our vision is: We are dedicated people providing exceptional services to the residents, citizens, and visitors while preserving our historic heritage that remains. The budget that we are about to go through and we are going to bring it to you in pieces...

Mayor Slesnick: David, we are not recording or televising this.

City Manager Brown: We are not televising...

Mayor Slesnick: So why don't we turn these light off and turn on some more normal lighting so we can see the screen...

Commissioner Cabrera: So we don't need this to talk?

City Manager Brown: Yes, because that's being recorded.

Commissioner Cabrera: Oh, so we do need this, OK.

City Manager Brown: The budget that we are about to present is a culmination of two years of what's been happening in property tax reform...

Mayor Slesnick: Now I know why I have to go to the eye doctor.

City Manager Brown: ...and what we are going to talk about today isn't just us, its Tampa Bay, its Lake County, its budget crisis' all over the State, for local cities, School Boards, Counties, its statewide and everybody's dealing with it in their own manner - Volusia County. So here is, what has happened to us over the last two years. Coral Gables property tax revenue: House Bill 1B caused us to lose \$3,719,604 and that was because of the reduction in millage by formula two years ago. Amendment 1 caused us to lose an additional \$1,827,000 and that's because of the formula on value of our property. You put those two together and we have lost because of House Bill 1B and Amendment 1, \$5,546,604. Property values: as you'll notice Homestead Exemption currently was twenty-five thousand (\$25,000), it has moved to fifty thousand dollars (\$50,000). The millage rate in '06-'07 was 6.15, and in '07-'08 we dropped it to 5.25; and now our proposed millage in this year's budget is 5.25. We propose the same millage. If we were to follow Amendment 1 this year, in this proposed budget we would have to roll back to 4.981. This \$348,000,000 is the value that we lost this year in that IB - next. Let's talk about the millage rates...

Mayor Slesnick: David, David, go back;

City Manager Brown: Yes sir.

Mayor Slesnick: Explain the \$348,000,000 loss to us.

City Manager Brown: Don.

Mayor Slesnick: What are you saying?

Mr. Nelson: The \$348,000,000 when Amendment 1 was passed on January 29th of this year, it did four main things, it doubled the Homestead exemption, it put a cap on ten percent of commercial property, it did portability, and it did twenty-five thousand (\$25,000) on tax roll. The result of that reduced the taxable property value in Coral Gables \$348,000,000 as a result of that vote. Now we had other increases in value, we had other increases in new construction that really netted the City an increase overall of \$440,000,000 more, but our affect from Amendment 1 was \$348,000,000 reduction just from that vote. Had we had that remain in the City, we would have

\$348,000,000 more of added value.

Vice Mayor Kerdyk: The good news is you have \$440,000,000 more in value.

Mr. Nelson: More in value, right. We had a true reduction because of Amendment 1 of \$348,000,000 that's huge, which was unbelievable is that Coral Gables value went up overall. We had increase value in commercial and residential; we had new construction, and then we had a reduction because of Amendment 1.

City Manager Brown: Let's talk about - the millage rate adopted in '07 was 5.25; we're proposing it stay at 5.25; the roll back rate is 5.169, and if we were to...because you have to put the \$348,000,000 back in to calculate Amendment 1, and when you do that the roll back rate becomes 4.981. The vote required to levy proposed millage rates of course the majority vote 3 of 5 to go to the roll back rate which includes the \$348,000,000; two-thirds vote or 4 of 5 for 4.982 to 5.623, that's the span of which they give you to vote, and then a unanimous vote would allow you to set the millage to anything greater than 5.623. There are four moving parts in this budget we talked about; we want to maintain the property millage rate at 5.25, and that includes an additional \$847,000 from the new construction added to our property tax rolls. The solid waste garbage fee; you've told us to increase that fee every couple of years in small increments. We proposed a raise of thirty dollars (\$30.00) this year from five hundred and eighty dollars (\$580.00) to six hundred ten (\$610.00), that's about a little under a five percent (5%) increase, or little over two and a half percent (2.5%) for the last two years, of course CPI has been about four (4), so we think that's a very fair increase. I should tell you that even with this increase the general fund subsidize seventy percent (70%) of our sanitation services; thirty percent (30%) are still not being funded. We propose to institute the emergency medical service transportation fee for residents...

Mayor Slesnick: David, David, let me make sure I got that straight. It's six hundred and ten dollars (\$610.00), seventy percent (70%) comes from the general fund or the fees?

City Manager Brown: The fees, the thirty percent...

Mayor Slesnick: The thirty percent (30%) comes from the general fund.

City Manager Brown: Correct, which means the fees still doesn't subsidize it one hundred percent (100%).

Commissioner Anderson: What is the full amount because it was mentioned once over nine hundred dollars?

City Manager Brown: Don has that number.

Commissioner Anderson: Just put it on the record how much the garbage fee is.

Vice Mayor Kerdyk: How much is it raised by increasing the thirty dollars (\$30.00).

City Manager Brown: About five percent (5%).

Vice Mayor Kerdyk: Five percent.

Mr. Nelson: It's a five percent over two years, which is two and a half percent per year.

Vice Mayor Kerdyk: On a dollar basis? On a dollar basis how much is the thirty dollar increase...

City Manager Brown: Additional revenue; about two hundred and forty-eight thousand.

Commissioner Cabrera: Is this the only time we are going to talk about these items now?

City Manager Brown: No, it will be throughout the presentation.

Commissioner Cabrera: Do you want us not to interrupt you?

City Manager Brown: Why don't you make notes and then or if you want to...

Commissioner Cabrera: No, no whatever you prefer, I don't want to break your thought process; I don't want to see you sweat.

City Manager Brown: Let's get through it and then we'll answer questions and talk about individual items. We propose to institute the emergency medical service transportation fee for residents. As you know we are the only City that does not charge that; we intend to bill the carrier only and work out a system whereby the resident, if approached by a carrier, does not pay, this is for insurance purposes only. And then of course there is a recreation fee increase across the board of five percent (5%). Those are the four things in this budget that are different - next. Let's talk about the numbers in general; our annual revenues are expected to be one hundred and forty three million two hundred and five thousand dollars (\$143,205,970). We are going to transfer from reserves the Retirement Fund one hundred and sixteen thousand dollars (\$116,953) to Administrative; we are going to transfer from the Roadway Improvement Fund two hundred and fifty seven thousand dollars (\$257,608), and we

are going to transfer one million one hundred thousand dollars (\$1,106,181), from the Sanitary Sewer Fund, we'll talk about why later; all those revenues total together one hundred and forty-four million six hundred and eighty-six thousand, that's the proposed budget. In the expenditure side operating...

Mayor Slesnick: David, David, just for future clarification, the three transfers are not really revenues; they are revenues to our General Fund, but they are not revenues to the City; and I think it gives a bad impression to say they are revenues, they are not revenues; there are monies in our possession now, we do transfers.

City Manager Brown: Technically you are correct; we call them revenues because they come to the fund.

Mayor Slesnick: The line that says total revenues should say total budget, not total revenues.

City Manager Brown: We'll make that change for the presentation.

Mayor Slesnick: Just call it income.

City Manager Brown: The expenditures - we have one hundred and thirty-four million three hundred and ninety three thousand dollars (\$134,393,588) for operating; capital is three million eight hundred and sixty-five thousand (\$3,865,000) we'll delineate that later in the presentation, and our debt service is six million one hundred and seventy four thousand dollars (\$6,174,991) for a total expenditure line of one hundred and forty-four million four hundred and thirty-three thousand dollars (\$144,433,579). Transfers to reserves, we are now going to put ninety-one thousand (\$91,829) back into the Transportation Fund; we are going to put one hundred and sixty-one thousand (\$161,304) back into Stormwater Utility Fund, that's two hundred and fifty-three thousand dollars back to reserves of these two, and if you add these you get a balance budget of one hundred and forty-four million six hundred and eighty-six thousand dollars (\$144,686,712). Let's talk about the revenue changes affecting this budget...

Commissioner Withers: Hey David, can I share one thing?- on that debt service could you let us know how much of the debt service is paid for by third party vendors...

City Manager Brown: Yes.

Commissioner Withers:...and how much is our obligation.

City Manager Brown: Of the six million one hundred thousand? - yes I'll break that down. We talked about it; there is an increase in property taxes with a tax rate of 5.25 of eight hundred and seventy-two thousand dollars (\$872,000), that's the new

construction basically, for a total revenue over here of sixty-six million nine hundred and thirty-two thousand dollars (\$66,932,000). Franchise fees are way up one million one hundred and seventy-seven thousand dollars; utility service taxes nine hundred thousand, that's basically because of gas and electricity and all the components attached to gasoline; rental concessions are up across the board two hundred and eighty-eight thousand; our residential waste collection is up two hundred and forty-eight thousand, that is the proposed fee; recreational fees are up two hundred and eleven thousand, that's the five percent proposal increase; investment earnings are up because we have more money in the bank, two hundred and eleven thousand; sanitary sewer fees are up seventy-four thousand; public safety fees are up fifty-eight thousand, that's because of increased ticket activity; but gasoline sales tax are down, conversely; business taxes are down; parking fees are down, and that's because we are proposing seventy-five percent of next year Garage 5 will be empty because of the Palace, we are projecting a loss of two hundred and sixty-nine thousand dollars from that garage; other revenues are up forty-two thousand; operating net increases three million six hundred and nineteen thousand dollars, and those are the big numbers affecting this budget. A snap shot of this year and the proposal; this budget is one hundred and thirty million three hundred and ninety-two thousand, we are proposing one hundred thirty-four million three ninety-three thousand, that's a four million dollar increase, we'll talk about that; capital improvement two million eight hundred and fifteen thousand, this year three million eight hundred and sixty-five thousand, a million dollar increase; this is in enterprise funds, we'll talk about that; debt service six million one hundred and seventy-five, six million one hundred and seventy-four, we really had a three hundred and thirty-seven decrease. So the difference between last year's budget and this year's proposed budget total is five million and fifty thousand dollars. Significant expenditure changes - salaries, by contract, merits, a million dollars; overtime, I'm very, very pleased to tell you we are budgeting down two hundred and sixty-two thousand dollars, both Chief Hammerschmidt, Naue, Baixauli, Stolzenberg and Reed have done wonderful jobs in controlling overtime. As you recall this number was in the four one, four two range just a couple of years ago and they've reduced it down to three million dollars; retirement is up five hundred and ninety-six thousand taking us to this twenty-four million dollar mark; FICA up - we're still paying off the two bad experiences to our workers comp continues to rise; and our health insurance that's the twelve point four percent that we just got that you all approved a couple of meetings ago for six hundred and thirty-six thousand dollars. Now to continue, our general liability is up a million six; gasoline is up another four hundred and thirty eight thousand for almost two million dollars a year; electricity - of course we got franchise fee increases, but we also have to pay more for our electricity; we improved our 911 services at our Police Department, that's up to two hundred thousand; telephone service with our extra lines up one forty-eight; waste disposal fees only up a little; and here's the ones that we have tried to control, sanitary sewer operating equipment; equipment repairs; printed forms; contracted services; uniforms; maintenance; training; operating equipment additions; operation costs down to the four million dollar number

that we talked about; annual debt service is reduced to three hundred and thirty-seven dollars; capital improvement jumped up a million, this is enterprise money, so our total of new expenditures is three point eight. We have one hundred and fifty thousand set aside for local improvements in the swale areas, stormwater improvements; one million one hundred and sixty-five thousand from the gasoline tax for curbing for streets, for improvements; and this number is three parts, it's a million dollars to continue the Old Cutler force main, Phases 3 and 4, we have to rebuild; one million for the sanitary lift stations in the central business district; and five hundred thousand dollars for the lining of the other force mains to prevent intrusion, so that we don't have to pay for water we don't use - for a three million eight hundred and sixty-five thousand dollars through enterprise funds. This is a recap of the amount of monies that we've had to fund for our retirement system, and as you can see the last two years we funded an additional five hundred and thirty-six thousand dollars, and now the requirement is another five hundred and ninety-six thousand dollars taking our number to twenty-four million dollars. We are at the bargaining table right now, this number has to be arrested and has to start to go the other way, and if we are successful, the Commission and the administration is successful, this number will start to decrease over the next ten to fifteen years as we move into a new retirement system that does not require this kind of funding. This is a great slide, as we employ Tony Villamil to do the model to take a look at this, Commissioner Withers idea, and if you'll notice our value from '04 to '05 to '06 to '07 to '08 continues to rise. In this area most cities did not rise; most cities did not rise from '07 to '08; we still had a healthy increase of twenty-nine thousand dollars per average home. Tony Villamil in '07 said if our rates would rise but not at the rate...

Commissioner Withers: Well, he hit those numbers pretty close, didn't he?

City Manager Brown: He said between three and eight and he hit three and under eight; he hit them right on the nut.

Commissioner Withers: Pretty amazing a year and a half ago

City Manager Brown: OK. If we approve the 5.25 millage rate, the average assessed value in '07 was five hundred and eighty-one thousand, we took out the Homestead exemption and it was a five hundred and fifty-six thousand dollar home; this year it's a five hundred and eighty-one thousand home, but the exemptions jumped up and doubled because of Amendment 1, to fifty thousand, so this number is five hundred thirty one, twenty-five thousand dollar decrease; the current rate 5.25, last year's number was twenty nine twenty-two, this year's number because of the decrease would be twenty-seven ninety, or one hundred and thirty-two dollar decrease in the average home. As of right now this is our proposed twenty-seven cents of the tax dollar goes to us that's on the 5.25 on sixty-six million nine hundred and seven thousand dollars; these are last year's numbers for the School Board, for the County

and for the State, of course they are setting their rates as we speak, but we are still in about twenty-five cents on the dollar on the tax dollar for us to come to the City. If all the millages stayed the same we will still be the twenty sixth lowest total millage City that provides a full service; all the cities down here are either new cities or do not provide full services, and we still remain twenty sixth lowest total millage with 5.25. This has never happened - this is what else tax reform has done - in 2008-2009, the proposed property tax in June 1 when we first got the estimate was thirteen billion four hundred the twenty million dollars (\$13,420,000,000), and our 5.25 that was sixty-six million nine hundred and thirty-two thousand dollars. Historically, and Don and I can never figure where it's ever happened, the number between June 1 and July 1 always improves and gets larger because they are conservative in their estimation on June 1; this is the first time the number decreased thirteen billion four hundred and fourteen million eight hundred and forty-five thousand five hundred and three dollars (\$13,414,845,503), or a sixty-six million nine hundred and seven tax rate, or a decrease in twenty-five thousand dollars, that's a reduction in the property tax from the lower certified properties. So you can see that Amendment 1 has taken its toll. Ladies and gentlemen you set a policy in place three years ago, when you told us that we needed to work toward a triple "A" bond rate, and the way to do that was to keep our rate of debt to operating below five percent, and to get our reserves up to ten percent of operating. We've had a very good year this year; I want to tell you that we have been able to put back four million four hundred thousand dollars into reserves and now our reserves are nine million one hundred and eighty-five thousand dollars, we are very, very close, and I can tell you where that came from; it came from.... we conservatively project revenues; and because of the gas tax and the gasoline we've had some great franchise fee increases. We were very frugal in the fourth quarter of our expenditures, and I am...I feel more comfortable than every before that if we face a disaster, that we don't have to use a line of credit, that we have money in the bank for whatever incidents we may face, and I still believe if we have a good year this year, we could fly to New York and get the triple "A" bond back because we are very, very close now - very close - next. OK, that was the good news, here's some of the bad news. There is no new funding in the citywide capital improvement program. The three point eight million dollars we talked about are all enterprise funds, but there is no money set aside in this budget for other projects other than those enterprise funds. The only project that we haven't touched in the four million dollar borrow, of course is the Marquee Actor's Playhouse, which we are waiting for a grant if Historical approves that; there are a lot of moving parts in that as far as whether the LED is going to be approved by Historical or not. There is no replacement of new vehicles or other new vehicles in this, except for those that are required by contract for the Police Department. There is no hurricane contingency; all bargaining unit agreements expire on September 30, 2008, there is no provision for that; and the reduction in the actuarial assumption of three million is not funded in this budget.

Commissioner Withers: Well, I know it's probably not a popular position, but you

know with the economy what it is, with the cost of building dropping and construction low, now is really the time we should look at doing capital improvement projects.

Vice Mayor Kerdyk: But we have capital improvements...

City Manager Brown: I didn't here you, Chip, what did you say?

Commissioner Withers: I'm saying now is the time that we probably would be paying less to do capital improvement projects over the next year or two, so you know, I would challenge you to find some capital improvement projects that do need attention that maybe are in the budget and probably try to figure out a way to look at doing this, because you are probably going to get those done for twenty-five (25%) or thirty (30%) less than what you would be paying for in a better economy.

City Manager Brown: And I can tell you there are more people bidding and they are sharpening their pencils.

Commissioner Withers: That's what I'm saying.

Vice Mayor Kerdyk: Dave, don't we have the bond money from Dade County that we are doing some projects with that are going to keep us busy for quite awhile?

City Manager Brown: Oh absolutely, but you know, we are really...Vice Mayor we are in a three year project; we plan, fund and implement, and I'm just saying we have plenty of GO Bond projects, we have plenty of infrastructure projects, but the planning for three years from now isn't here.

Vice Mayor Kerdyk: I understand, but we are going to see projects being done, I know we are going to do Venetian Pool, we are going to close that down for four or five months, I know we are going to do...

City Manager Brown: ...park...

Vice Mayor Kerdyk: Yeah...

Commissioner Cabrera: Country Club Prado.

Vice Mayor Kerdyk: Country Club Prado is in the pipeline, but that's from our budget; we also have that bond money that we were just talking about, and maybe you want to elaborate on what exactly we are going to be doing this next year. I'll be interested to hear that.

Commissioner Cabrera: Well, whatever...I'd like to say whatever you are going to do

plus whatever you are doing now that's going to move into the new fiscal year, show that. I mean, I don't like to "perfume the pig", but I mean it's the truth, so show it, show it.

City Manager Brown: OK...We're not stopping building, but usually in our processes we have planned, funded and implemented so you have a three year plan going all the time, but I'll be glad to show what's happening because we are not quitting building.

Vice Mayor Kerdyk: Well, I agree, and I agree with Ralph that no new funding of citywide capital improvement programs, but maybe list the ones that were in.

City Manager Brown: I can do that. What I was trying to point out was there is no new funding in this budget.

Commissioner Cabrera: I got it.

City Manager Brown: OK - next. That's the down and the dirty of this budget; there is just not a lot of moving parts.

Commissioner Cabrera: What's the logo for? Are we going to start making T-shirts and selling them with our logo?

LAUGHTER

Commissioner Cabrera: Is that additional revenue generating; oh, somebody else is already doing that, OK, never mind.

City Manager Brown: Don and I and the Directors are here to answer any questions that you might have. I know Commissioner Cabrera, you had one.

Mayor Slesnick: I just wanted to go back to my favorite subject.

Commissioner Cabrera: You have so many.

Mayor Slesnick: I know. Don, explain to me one more time, I just...somehow I can't understand. In the last five years we have put in one hundred million dollars in the pension system...

Mr. Nelson: Yes.

Mayor Slesnick: You know, I'm just not very good at this, but I mean, I understand there was a run of bad luck at the market in the late '90's or the 2000's...

Commissioner Cabrera: That was our fault...

City Manager Brown: That was our fault.

Commissioner Cabrera:...we are responsible for that, the five of us; we created that whole...

Mayor Slesnick: We were here...but the fact is, I mean, this can't be a bottomless pit, I mean, when...how much...?

Mr. Nelson: When's the end?

Mayor Slesnick: Well, no...you've told us there is no end, and I just want to express my continuing frustration of understanding how many dollars do you pump into it before there is an end, I'm mean, we couldn't have had that bad luck, and we've had some better investment strategies since then, and we've pumped in all this new money...what is...how could we be that far down? I mean, I don't understand; even let's say we had had a moderate run of investments in '98, '99, 2000, would this still be happening?- and maybe you can't explain it today, I don't want to take everybody's time.

Mr. Nelson: I can give you a short summary of what the twenty-four million dollars represents, and really twenty-four million is our annual contribution, but thirteen and-a-half million of that, more than half is to pay back what is called an unfunded accrued liability, which is an ongoing...we paid over a thirty year period, and that is an accumulation of what the actuary compares actual assumptions of really what happened in the market, which we had downturns in the market; what happened in turn over of employees, the more turn over the better; what happens in inflation; what happens in employee raises, all those get factored in, and we've had negative actuarial results, meaning that has grown over the years. There was a time actually eight years ago when we were zero - we were hundred percent funded; we didn't have a liability, and that's grown because of these bad assumptions to actual, and we accrued this one hundred and sixty-one million dollars, meaning that if we were to stop the City today, we would need one hundred and sixty-one million dollars to pay the future benefits for all the retirees. Now, that fluctuates...

Mayor Slesnick: ...Ad infinitum,I mean, until the last retiree dies.

Mr. Nelson. Right. And so of that one hundred and sixty-one million, its like a mortgage, and we are paying that over thirty years, and it fluctuates; if we have great investment returns the next couple years, that would go down and it would go to zero; if we have...

Mayor Slesnick: And I'm going to leave it at this, because I don't want to take up everybody's time with this, because we are not going to solve it here today, but it just seems to me that we always talk about our bad investments, but we must not have had very good actuarial projections, I mean, when you look at the chart and you see that we are contributing two million, three million, four million, now we are contributing twenty-four, and you tell us thirteen million is going to this unfunded actuarial projection that wasn't there before...

Mr. Nelson: Right.

Mayor Slesnick:...and if you over thirty years; thirty times thirteen million is approximately what?- over four hundred million dollars...

Mr. Nelson: Four hundred million, right.

Mayor Slesnick: How do you go from paying two million, three million, four million, to paying twenty-four, thirteen of which is paying for this unprojected liability, four hundred million dollars down the road; it seems to me something was wrong during the years that we were paying two...that's what, I guess, was really bothering me; if the real cost of this plan is twenty-four million which we are trying to attack now, somebody...

Commissioner Anderson: Weren't we playing catch-up from years before that wasn't funded as much as it could have been funded?

Mr. Nelson: No, we've always funded the hundred percent of what is required...

Commissioner Anderson: But the actuarial was too high.

Mr. Nelson: Correct. What we did not fund is this three million dollars that's still an outstanding issue, when we reduced that assumption...

Mayor Slesnick: No, no, no, in 2001 we paid four million; 2002 six million; now we are up to twenty-four just five years later...OK, I'll leave it at that, because obviously I'll never...

Mr. Nelson: It's a huge...right, and because of our salaries and because of all the factors, we haven't changed the benefit factors which is a good thing; we haven't increased the calculation of how retirement is, but the increases of salaries along with overtime added in, and the sale of leave and all these other factors that boost up the pension amount that is calculated, has been a reason why we've actually had to fund more too, so.

City Manager Brown: That's what the five thirty-six and...

Mayor Slesnick: Let me ask it a different way; let me ask it in a way that social security works. If we assume that the City of Coral Gables will last as long as the last retiree, can we then lower what we pay to the pension plan, assuming that what we contribute every year will cover the payments for the retiree?

Mr. Nelson: Yes, and that's why we are making changes to the plan; we need to make changes in order to...

Commissioner Cabrera: No, but he's talking about the current plan - current plan.

Mr. Nelson: Current plan.

Mayor Slesnick: In other words right now we are trying to fund it as if we were to go out of business tomorrow we need a hundred and sixty million dollars in the plan.

Mr. Nelson: Correct.

Mayor Slesnick: As we continue on we would need more than that, but let's say we put five million into the plan every year, could we pay the retirees every year from what we have? In other words, social security works on the fact that I pay in and you take out and...

Mr. Nelson: We are definitely paying that one hundred and sixty-one million over thirty years, so that it will take the future to pay it off.

Mayor Slesnick: I guess I'd the citizens...

Commissioner Withers: Let me, let me...because I think I know where Don's going with this. I guess the actuarial is based if every employee that's currently working now stays their entire twenty-five years and receives maximum benefit, that's the one hundred and sixty million dollars.

Mr. Nelson: Yes.

Commissioner Withers: In reality that's very unlikely that that's going to happen, that every employee is going to work twenty-five years and gets maximum benefits.

Mr. Nelson: That's correct.

Commissioner Withers: So that's what that twenty-four million dollars, I guess, represents toward that actuarial assumption? Am I wrong or am I...

Mr. Nelson: Partially. I'll break it down into two parts; one is we are paying current, which is called normal cost...

Commissioner Cabrera: And how much is that?

Mr. Nelson: Twelve and...eleven and-a-half million dollars.

Commissioner Cabrera: OK.

Mr. Nelson: That's the normal cost; that's the cost that...

Commissioner Cabrera: Actual cost.

Mr. Nelson: Actual cost for our employees right now...

Commissioner Withers: To support going forward, so it's about fifty percent of that number.

Mr. Nelson: Right. The other thirteen and-a-half that I mentioned of the twenty-four, is paying past problems, past...

Commissioner Anderson: That's what I was getting at; I may not have used the right words, but that's what I was trying to get at.

Mr. Nelson:...yes, so if we were to reduce that, which was a big number and that's all factored into better investment results, if we could bring that down, which we did only eight years ago, it was zero. We didn't have a hundred and sixty-one million, its grown because of that investment performance, and turnover and all these things. If we got rid of that, thirteen and-a-half million dollars of the twenty-four would go away, we'd only have eleven and-a-half million to pay our employees today for our future benefit assuming turnover and raises, that's all we'd need to fund.

Commissioner Withers: So a lot of that...half of that twenty-four million is to take care of that hundred and sixty million dollar.

Mr. Nelson: ...past problems - yes; that's a huge number and the goal is by bringing the actuarial assumption down from nine, which was big, but it was the right thing even though they did it in such large hits, we recommended going down in level...in stages; that really added more cost, and then all the other factors - bad investment performance, employees are not turning over, they are not leaving the City, they are staying, that's factored in; the increases of raises for salaries were higher than what was assumed.

Commissioner Withers: So, stay with me on this one if you can; so if we did switch

plans to a defined contribution plan or the State of Florida Plan, or whatever we did, we still have that hundred and sixty million dollars out there...

Mr. Nelson: Correct.

Commissioner Withers:...but as employees leave early, or as employees don't work their full years to retirement, or whatever it is, that hundred and sixty million dollars begin to shrink...

Mr. Nelson: Yes - and our normal cost of those employees that...new employees that go...

Commissioner Withers: They'll be going into the new plan, so it doesn't affect half of that twenty-four million dollars?

Mr. Nelson: Correct.

Commissioner Withers: Is there a way for the actuarial to come back to us based on trends and history and employees working longer to tell us how that number decreases?

Mr. Nelson: We can...we actually did a five year projection, where we would be in five years, and we are actually using that, comparing that to what we actually pay. If we were to take that, which is assuming we don't change our plan, we did that projection; now if he assume that - and this is the different groups, let's say the Police, Fire...

Commissioner Withers: But someone's going to figure if everybody stays in the existing plan.

Mr. Nelson: Right, we have that one; we have a five year projection; then we would have to take it by group, meaning if all Police go...

Commissioner Withers: I understand.

Mr. Nelson:...because its by group, all general and all Fire; you could break it down by groups and show the impact, which would take over time, because these are new employees, not the whole...

Commissioner Withers: Yeah, but the new ones are going to be the other half of the equation, won't they?

Commissioner Anderson: Yes.

Mr. Nelson: Yes.

Commissioner Withers: So how does that number drop from twelve, I guess, that's what I think Don's trying to get to; how does that number drop over the next five years?

Mr. Nelson: It drops because...

Commissioner Withers: No, number-wise; does it go from twelve to ten million a year?- eight million a year, how does it...?

Mr. Nelson: It'll will be a gradual landing of that amount, because it's only new employees that are not going into our plan...

Commissioner Anderson:...Which are not as many.

Mr. Nelson:...we are not funding at forty-eight percent of an average salary benefit, we would be funding at sixteen percent, a third of the cost to the State for...

Commissioner Cabrera: Regardless of the plan, regardless of the...like Chip said, he didn't say just going to the State, but going to a defined contribution program.

Mr. Nelson: Clearly. If a defined contribution; if we were to say, we'll contribute twenty percent, let's say of salary, to a defined contribution to an employee, we would still be far better ahead than contributing forty-eight percent.

Commissioner Withers: I was sharing with David some of the models out there on defined contribution plans are that the owners of the company will contribute fifteen percent and the employee will contribute five percent, but if the employee refuses to contribute, the company doesn't match at all.

Commissioner Cabrera: Doesn't match, right.

Mr. Nelson: There are many scenarios, and defined contributions worked great in the nineties ('90's); a lot of cities were transferring from defined benefit, which is what we have, to defined contribution, the employee says I would rather control my own money, the market was going up, nineties were great, everybody was making money, then the 2001 hit and the market went down, they said, I'm so glad I did not make that change to a defined benefit, I'm glad the City...I have a guaranteed pension because my defined contribution plan would have gone down in value. And so, it shifted the whole mentality of thinking that, I don't want to go to a defined contribution plan, but the corporate world that's all they go to.

Mayor Slesnick: But remember too, just to throw in the fact that if we get someone to go to FRS, they have a choice and FRS is a defined contribution, or a defined benefit...

Commissioner Withers: But have we ruled out defined contribution as an option, and we are now solely focusing on the Florida plan?

City Manager Brown: I don't think we have ruled that out because when you go to the bargaining table there is a defined contribution in FRS, and if the negotiations run a different tact we consider the defined contribution solely, not within the FRS.

Commissioner Cabrera: You know, I asked David to give...remember two weeks ago?- I asked him to give me a comparative between a defined contribution stand-alone product or program, and FRS, and you said you had that already.

City Manager Brown: That's on my desk.

Commissioner Cabrera: Maybe you can share with all the Commissioners; I haven't seen it yet, but I think that's where you are going.

Mayor Slesnick: Yeah.

City Manager Brown: I'll turn that into a memo and get it to you.

Commissioner Cabrera: Yeah, just so we can see it.

City Manager Brown: It's our calculations from the actuary on the different models that we can do, but I'll get that to everybody.

Commissioner Withers: Because Dave, where I'm going is the twelve million a year that we are paying for past sins, that's an obligation we have to do year after year after year, and hopefully if we do change plans that, that number will just drop because of attrition and not people staying the entire period of time...

City Manager Brown: Both numbers will drop.

Commissioner Withers:...I know, I know; but then the other half, is I think the number we can have the biggest impact on.

City Manager Brown: Its new, is new.

Commissioner Withers: Is new...

City Manager Brown:....is new, because you are not paying forty-eight, you are paying sixteen, thirteen, but that number grows as the number of employees leaves.

Commissioner Withers: But what I'm saying is if we are paying...if the State of Florida, if we are paying sixteen percent, you're say, if we said to an employee we are going to give you fifteen percent in a defined contribution plan, if you give five percent; I'm just throwing numbers out, that's even greater than the sixteen percent or whatever that they would be receiving on the State of Florida, unless maybe that math is incorrect.

City Manager Brown: That's right.

Commissioner Anderson: You know what we need?- kind of an easy to read white paper on all of this, because we've got options, and I think there are a lot of expectations out there that these numbers are going to drop tremendously if we go this way or the other, but its out there in the world, and...

City Manager Brown: And that's a wrong expectation...

Commissioner Anderson: No, but I know, but until we actually put it on somewhere that people can actually read it and understand it, in any easy way to format whether we go to defined contribution what Chips talking about, or we go to FRS, the people voluntarily go for that; we've got to have somewhere where we give some kind of realistic number because people say that number's been there forever, twenty-four million, this and that and the other; but the reality is that number unless we do certain things, that number will stay there.

Mr. Nelson: That's correct, unless we make a change...

Commissioner Anderson: Yeah, and that's what, even if its in general terms to say if we did this the numbers would go down faster, or this would happen; I would like that for the budget hearings, I mean, that's important.

City Manager Brown: You'll know when that change happens because that five thirty-six and that five ninety-six won't be increases, you'll start to see minor decreases.

Commissioner Anderson: Right, but I'd like that written down.

Commissioner Withers: You can get half of that number to drop; the first half, you know, by offering early retirements or whatever, if we wanted to bite the bullet...

Commissioner Anderson: Sure.

Commissioner Withers: ...in the debt because that's going to reduce your long term pension obligation.

Commissioner Anderson: And that's what I'd love to see...yeah.

Commissioner Withers: Well, we never talked about that.

Commissioner Anderson: But also some type of...even if it's an assumption; if we did this, this is what we could do, but make it easy for people to understand because, like I said, the world outside, our residents, our taxpayers are wondering what we are doing. If we can give them something to understand, even if in general terms, if we were to go this route, or that route, or a combination route how the numbers might change, whether it be gradual or dramatic. I think that's really important out there.

Mayor Slesnick: The one thing, Chip, about early retirements, it's been used successfully, but you have to come up with that extra benefit from the General Fund, not the retirement fund.

Commissioner Withers: Right, right, but I mean if you take...

Mayor Slesnick: For the City...I'm just saying, you need to set aside "X" number of dollars, if we are going to do that.

Commissioner Withers: Yeah, but if you take...if it's the twelve million or thirteen million dollar, I don't know what the present value of that is over the next ten for fifteen years, but it's probably two hundred million dollars, if in fact that's what...

Mr. Nelson: The only way to save money and giving an incentive for people to retire, which the Mayor is correct, if an added incentive, there is a cost to that; the other side is if you don't rehire those people, because it's the rehiring that you have to fund those new employees; the ones that are retired already are basically already funded.

Commissioner Withers: Unless you rehire them in a new plan.

Mr. Nelson: Correct; they go to a new plan, which is cheaper, or you don't rehire them at all, that's a huge savings.

City Manager Brown: That's operating retirement.

Mr. Nelson: Right, you are saving both sides.

Commissioner Withers: But I mean Don, if we spent two million dollars over the next two years to reduce that five million dollars over the next ten years...

Mayor Slesnick: Then we'll have to make provisions in the Fund, in the General Fund to do that, that's all. You know, I've seen it work at the County in several times around, I've seen it not produce good results, but the County has used it on several occasions to buy out, you know...

Commissioner Withers: Is that something that interests us at all?

Mayor Slesnick: I think our problem has to be to look at to see who we attract, because we already looked at how aging some of our population is getting, and we might buy out a substantial amount of people.

Commissioner Cabrera: But that has a really positive effect on a number of other issues.

Commissioner Withers: Consolidation of departments.

Commissioner Cabrera: Well that, and insurance costs go down because you have a younger population.

Mayor Slesnick: Have we changed actuaries?

Mr. Nelson: No sir, we have the same actuary for five years now.

Mayor Slesnick: Didn't we...did not this Commission comment to the Board about changing actuaries?

Mr. Nelson: The Commission made a recommendation to the Retirement Board to encourage them to seek and go out for a request for proposal for a new actuary.

Mayor Slesnick: And I take it they thumbed their nose at us?

Mr. Nelson: They didn't discuss it; they heard the item and they did not act on it.

Commissioner Cabrera: They heard it, but they weren't listening.

Mr. Nelson: They didn't discuss it.

Commissioner Cabrera: How much would it cost this Commission to hire its own actuary to look at this entire thing to see if there is a different opinion as to our...I mean, I know there is different actuarial...

Commissioner Cabrera: It's expensive.

Mr. Nelson: It's a twenty to twenty thousand dollar item to do an actuarial evaluation.

Mayor Slesnick: But there are different approaches to actuarial evaluations, some produce different results, and some maybe more...

Commissioner Cabrera: Could we do this?- could we send, not today, but maybe in the next City Commission meeting, can we send another message to the Board and let them know how important we think this is?

Mr. Nelson: I'll convey that.

Commissioner Cabrera: I mean, you were there; you attend all the meetings, and I've been to one; you said that they heard what we said, but they didn't comment on it.

Mr. Nelson: They didn't take any action; they received all of your comments.

Commissioner Cabrera: So why don't we ask them...

Mr. Nelson:...as they did with the Board Attorney, as you remember you also...

Commissioner Cabrera: They left that alone, too.

Mr. Nelson:...and they were going to go out and then they dropped it, because there were so many legal issues. The actuary has...

Mayor Slesnick: Why don't we get a response?

Commissioner Cabrera: Yeah, why don't we just ask for a response to our request?

Mr. Nelson: That would be perfect, I'll...

Mayor Slesnick: Maybe we should disband the Board.

Mr. Nelson: I'll ask for a response on their position regarding changing...going out for request for proposal for an actuary.

Commissioner Cabrera: The only reason that I'd probably would have a hard time with that, as much as I probably would end up supporting it, but the real reason I'd have a hard time with it, is I see the work they have to do and that would fall upon us.

Mayor Slesnick: I guess I meant reorganize it.

Commissioner Cabrera: Oh, reorganize the Board, I think that's certainly a thought process, but I'd rather hear...let's see what kind of response we get.

Mr. Nelson: Yes, we'll bring that up at the next meeting and...

Commissioner Cabrera: Make sure you let them know that the Mayor wanted to disband them.

Mr. Nelson: Yes.

LAUGHTER

Mr. Nelson: It needs a response on their position; its time to the actuary five-six years, although...

Mayor Slesnick: Explain it correctly, I was musing over the possibility.

Commissioner Cabrera: He was musing; he did not, I wanted to do it, tell him I wanted to do it; all you bloggers let them know its me. Can I go?

City Manager Brown: Yes, yes.

Commissioner Cabrera: What happened last year when...? I know what happened last year when I ask you would you be willing to talk to your department heads, get them together and come up with some cost cutting measures, other sources of revenue; and then I recall seeing a list; it was Ms. Lubin or your office that put it together, it was a pretty extensive list of some very creative and intriguing ideas.

City Manager Brown: We have the list, we've implemented a couple of the ideas; one on the list is before you today...

Commissioner Cabrera: Which is?

City Manager Brown: ...the transportation fee for [inaudible].

Commissioner Cabrera: That wasn't a new idea, that was something that was brought to us before.

City Manager Brown: And then we brought it back because we felt that strongly about it. I have challenged the directors that each and everyone of their level to be as streamlined and efficient as possible, and to bring ideas forward. I don't have that list

in front of me, but some of those ideas come in the form of new revenues in the Building and Zoning Department; new revenues, new fees that we haven't challenged; the impact fee was one of those, we've gotten that in. So there's been items; I can outline what we have done and what we haven't done to date.

Commissioner Cabrera: Well, I'm just curious because, you know, being a lay person I look at some of the things that you're suggesting and I'm going to get to those in a second, but things like, I'll give you one; we provide direct connect services to all businesses in the downtown area, and we do that free of charge; and I was a client of direct connect, I recall when I was at 2315 Ponce that I was able to have the direct connect capabilities installed in my burglar alarm through the Police Department and it took a couple of phone calls, but there was someone there that was helpful and went back and forth with my burglar alarm company, and they were able to get this achieved, and I paid nothing for it. Well, maybe there is an opportunity to charge something; it doesn't need to be a hundred dollars a month, but possibly ten dollars a month, or a quarterly fee, because if I'm a business person and I happen to have a good friend of mine who owns a jewelry store, and I can tell you that the piece of mind that he has today because he knows he has direct connect is priceless.

City Manager Brown: It's important.

Commissioner Cabrera: So ten dollars a month, or fifteen dollars a month, or twenty dollars a month is something to look at. The other thing is, I am of the opinion that charging a higher fee to non-residents for park use, there is nothing wrong with that; our parks are there first for our citizens, and then visitors.

City Manager Brown: I think we do have a, I think Fred, it's a twenty-five percent differential between residents...

Mr. Couceyro: Yes, our program is twenty-five percent.

Commissioner Cabrera: Well, maybe it should be thirty or thirty-five percent, I'm just throwing some things out your way.

City Manager Brown: OK.

Commissioner Cabrera: Les Space not so long ago, wrote us an e-mail and maybe some of the Commissioners forwarded it to you, you talked about the Police fleet, and maybe the time has come for us to seriously look at more economical vehicles for our Police fleet. The reality is that the General Motors, or Ford, or Lincoln, or whatever vehicles we are using today are huge gas-guzzlers, and we know that our Police Officers a lot of the time when they are working have to leave their cars on, so that they can quickly get in the car and go wherever they have to go, and that's one of the

reasons why the vehicles are running all the time; and there are programs out there for vehicles that are much more economical, and vehicles that still have the capability to go high speeds, but the reality is, you know, I can't remember the last high speed chase we had, no I can, I can; I can remember the last high speed chase we had it occurred over here at the discount store where the Palace is going, what is that?- Ross - some lady was banging into all kind of cars.

City Manager Brown: She hit twelve cars.

Commissioner Cabrera: Maybe there are more high speed chase going on in the City; those are the kinds of things that I'm sort of looking for to try to trim back some of our expenses.

City Attorney Hernandez: Well, mine don't count.

Commissioner Cabrera: What's that ma'am?

City Attorney Hernandez: My high speed chases don't count.

Commissioner Cabrera: No, yours don't count.

City Manager Brown: Let me respond to you via memo on some of the things we are doing and what's still in the works for us. But you're right, we have been looking at some of those, we probably can be more aggressive in some of those.

Commissioner Cabrera: I know we talked about the hybrid vehicles, how the Police they don't feel that they have the power.

City Manager Brown: Those probably weren't the right vehicles for Police chase.

Commissioner Cabrera: Maybe not, maybe not. Let me just get to the couple of issues that I have. The first one has to do with the residential solid waste garbage fee...

Mayor Slesnick: Can I go about the Police vehicles? Have we looked at any of the programs that some of the cities are doing with advertising on the Police vehicles?- not that we can get advertising on our trolleys after two years, but...let me ask you the quick question, are we proceeding still on advertising on the trolleys?

City Manager Brown: Yes we are.

Mayor Slesnick: Is it within like a light year.

Mr. Nelson: August 26th it will be brought back to you, responses for third bid.

Commissioner Cabrera: That's good.

Mr. Nelson:...we've gone through three times.

City Manager Brown: Mr. Mayor when you asked about advertising on Police vehicles, tell me about that.

Mayor Slesnick: Well, there are Police departments that are putting like Penzoil decals and so forth, just like the race cars and they pay for it. Listen, I'm not pushing that, it's not something that...I'm just saying.

City Manager Brown: But that's a philosophy I'd like to hear the Commission talk about, because we are now going out, you gave us the green light to explore advertising on our paper, in our web, newsletters, that kind of stuff, so I'd like to...

Mayor Slesnick: It would be something that, I wouldn't want to be offensive to the officers; some of them are car enthusiasts, they wouldn't mind Penzoil or something...I'm just thinking out loud.

City Manager Brown: I think its interesting; I'd like to hear what the Commission, that is a paradigm that I haven't...

Commissioner Cabrera: Is that happening in South Florida?

Mayor Slesnick: I haven't seen it in South Florida.

Commissioner Withers: I see a big Red Bull sign on the back of some of those.

LAUGHTER

Mayor Slesnick: I read it in the League of Cities magazine where they are doing it in different cities, in fact they are underwriting the cost of running the cars.

Commissioner Cabrera: I think we should look at it, it's worth looking at.

Commissioner Anderson: Does that come with the race car hats, the helmets?

LAUGHTER

Mayor Slesnick: David, I'm not pushing, I'm just saying that, that has happened in other cities; I don't know what the upside is, I don't know who is interested in doing it.

City Manager Brown: I had a joke but I'm not going to say it.

Commissioner Cabrera: No, that's OK. In terms of the residential solid waste garbage fees...

City Manager Brown: Yes sir.

Commissioner Cabrera:...how long would you say we'd been doing residential garbage fee pick up based upon today's technique and process, how long do you think that's been going on?- that system that we have - thirty, forty years?

City Manager Brown: Thirty five years.

Commissioner Cabrera: Why aren't we...and I know the story about fifteen years ago; I remember this, I remember the episode when we decided that we wanted to try a new system, and we had a demonstration at the Youth Center, and it was decided that it wasn't the way to go, I remember all that; and I think it was about fourteen-fifteen years ago.

City Manager Brown: We had a conversation here at the Commission about it.

Commissioner Cabrera: Yeah; my question is, surely there are other ways of doing this, that could potentially be more cost effective, OK, and at the same service level, without making people all upset about the destruction or the loss of the attractive nuisance, which is the pits, convenient nuisance, convenient nuisance, not attractive nuisance; I'm just wondering, are we exploring other systems that could potentially bring down the cost and not hurt the level of service? You want to talk about the five day versus four?

City Manager Brown: Yes.

Commissioner Cabrera: OK, is that something you are doing?

City Manager Brown: That's one thing we are doing.

Mr. Nelson: We have done this year an efficiency of reducing staff, seven positions out of Public Service, by going from a four day-ten hour work task force, to a five day-eight hour task force...

Commissioner Cabrera: And that's had an impact on the budget this year?

Mr. Nelson: And that's had an impact by reducing seven full time positions; that's huge, and not changing the service level, because we are continuing backyard pick-up, which is very expensive; nobody wants bins out on the front of the street all day long

until the people get home, so we are keeping the same level - same service level, but we are reducing cost, that was huge.

City Manager Brown: What affect to the resident will be is the route, I'm sorry, is the schedule of the pick-up will change to some homes, might be Tuesday go to Wednesday, Wednesday go to Thursday, whatever. One of the things that Dan was looking at, and I saw it when I was at the Governor's hurricane conference, is that the County has this new contract for recycling; where you put every bit of recycling into a bin and its all co-mingled and then it goes off and it is sorted. It increases the amount of recycling, and its all in one container. So we're looking, Dan is starting to look at that to see if we can somehow piggyback that. Our recycling right now has only certain amount of things we take, this is more recycling which we'll take out of the dump, and out of the garbage and hopefully...and I haven't talked about whether it comes to the curb or they can go into the backyard and get it, of course if they go into the backyard its going to cost a lot more than if it comes to the curb. But that's one of the issues we're looking at as far as the recycling. I whispered over to Commissioner Cabrera the change on the Wednesday is about two hundred and fifty thousand dollars, which is included in the budget, but still we are still providing the best service for sanitation collection in the County.

Commissioner Cabrera: I'm just asking you to consider other systems that may be working out there through some best practices.

City Manager Brown: I can tell you Commissioner, that one of the other issues that we have looked, but has been shown to us is you get the ninety gallon container, you put your green clippings in that, roll it to the curb and do it like that rather than pick it up with a cloth, that's a different service level than the people in the Gables are used to.

Commissioner Cabrera: Yeah.

City Manager Brown: But there are, you're right, there are several different ways to get the garbage and to get the trash.

Commissioner Cabrera: And I'm not looking to be as drastic as that because I don't think there is going to be much support for that.

City Manager Brown: I agree with you.

Commissioner Cabrera: But there could be other systems and other mechanisms, and processes out there that could save us money without compromising the quality of service.

City Manager Brown: Over the years Dan's done a pretty darn good job of reducing

routes, reducing personnel, and when that happens that makes the "pass" system, if you recall I guess it was ten-twelve years ago, our sanitation workers were working an average of twenty-seven hours a week, well over the time he's lost routes and now they are working thirty-seven hours per week, and now they can spread that thirty-seven over five days, so we've been very, very gradually increasing the service, maintaining the service, but decreasing the cost.

Commissioner Cabrera: I would then encourage you, if that in fact is an initiative that you implemented this year on a quarter of a million dollar savings, somewhere in your budget you got to show that, because what happens is I'm looking at a page that talks about items included in the budget, and they are all affecting the quality of life of the citizens, I mean, solid waste garbage fee increase, and now the insurance reimbursement of emergency medical services; well you've done something very effective and positive and that is you've changed the hours of operation of your solid waste or trash, whatever the process is, somehow someway you've got to show that you've had a quarter of a million dollar savings somewhere in this budget.

City Manager Brown: We'll highlight that.

Commissioner Cabrera: Now let me just go to the transport fee.

City Manager Brown: Yes please.

Mayor Slesnick: Before you do, I think that Ralph has brought up a good point, I'm a little disappointed David; you've done some other things about streamlining departments and things like that, and when Ralph asked you to highlight them, we weren't prepared to do that, I think you really need to have that ready, and circulate that and not wait till the first budget hearing, but Ralph's asked you to circulate some other things that you've done. I think you've streamlined Building and Zoning, you've streamlined some other things, I think it needs...no, no, it could be in the...is it coming...well

Commissioner Cabrera: Well you'll do that budget time - good. You talk about being responsive. OK. Can we just hit on the transport fee? I think some of you are going to support it, others are not sure what you want to do, so. What I did was...let me just take a step back and tell you what in my business, I have just a little over a hundred clients and they range from a small employer with about twenty employees to a large employer with about nine hundred. And so I get to see the full gamut, and most are in South Florida with a few have offices in Georgia, Texas, California, Boston and New York. What I'm starting to see more and more of is my clients reaching out to us as their consultant and saying, hey, I'm getting a bill from a hospital, or I got a letter from my insurance carrier that my hospital billed them because I was transported by Fire Rescue or my child...the best one I can tell you is one that I just dealt with last week,

where a client, a Coral Gables based company, one of its principals had a small child living in Pine Crest, that's where the family resides, and the child had an episode where the child had to be transported from the house to the hospital and they incurred an two hundred and eighty dollar transport fee; and it was not coming from, in this particular case it was Miami-Dade County, and it wasn't coming from the insurance company, it was coming from Miami-Dade County. The carrier happen to be Blue Cross Blue Shield of Florida, where I spent nine years of my corporate life working, so I have a pretty good relationship over there, and I said to the client immediately, you know, show me the bill and let me see what I can do with this. I went to three different people, and I got three different answers on how to adjudicate the claim; and I found that to be really, really intriguing and startling to a great degree; and so as David and I spoke about this and I knew he was bringing it back to the Commission for discussion, I went ahead and decided to conduct my own survey of how the rest of the carriers in South Florida are handling this, and I have those results here for you. What we did was, we contacted six carriers and we heard back from four, we're still pending two more and actually I found a third carrier that I'm going to poll on this question. As I pass this out to all of you, and I only have nine copies, you'll see that everybody just doesn't know how to do it properly. Some people will apply it as an ambulance co-payment, other people will say, well, you know, if we have a plan for that subscriber that has a deductible then we'll ask them to pay the charge and we'll ask them then to apply it, and we'll apply it toward their deductible once they show us proof that they paid it; and others have even said, well we are going to deny it because we don't have a contract with Fire Rescue services, you know, we are an insurance company, we're not out there to contract with municipalities. So the first thing we are going to do is deny it, or we may not deny it, we may send a letter to the subscriber asking them to tell us what the episode was, and to try to explain why they were transported by a Fire Rescue vehicle rather than an ambulance. And this is by the way, everything I'm saying to you now has to do with commercial health insurance, or individual health insurance. I'm not even touching Medicare yet; Medicare is a whole different ballgame, which I'm also reaching, but the point that I'm trying to make to all of you is, if this is something that we are going to do because as David said, every other city is doing, are you sure about that?

City Manager Brown: Absolutely.

Commissioner Cabrera: OK. I'm not questioning you in terms of...

Mayor Slesnick: People that have services.

Commissioner Cabrera: Fire rescue services.

City Manager Brown: There are only five of us.

Commissioner Cabrera: Yeah, that's fine; if that's the attitude we want to take if

everybody else is doing it; I fundamentally have a huge problem with it because I think that is part of the core services that any municipality should give to its citizenry, but more importantly what I want to point out to all of you is, this is going to create mass confusion, and if you have an elderly, you have an old person, an old individual that, and most of the people that are going to be transported are the elderly, and they get a letter from their insurance company that says, dear Mr. Smith, please provide us with more information on this particular date of service, where you were transported by the City of Coral Gables Fire Rescue Department to Doctors Hospital in Coral Gables, its going to freak them out; they are not going to know what to do with it; and forget about the Coral Gables resident that's lived here for eight years and speaks English, the ones that don't even speak English are really going to flip out over this thing, and the majority of them are going to take out their check book and write a fee and send it to whomever is charging the bill or the City of Coral Gables. Its just going to create mass confusion; you don't have to believe anything I'm saying, but I've been doing this now for twenty-seven years, and I have to tell you that I see what's going to happen; and we're going to get lots and lots of complaints over a service that's going to confuse a whole lot of people out there. So I can share with you that some of these carriers...I'll read you a couple of the responses. You know Aetna, which is one of the largest insurance carries in this country says, this is exactly what they wrote me back, it all depends upon the billing; normally if a local Fire Department is called out and has to transport a patient, they will bill Aetna and these changes will fall under the ambulance transport. Well here's the catch - Aetna doesn't have a contract with Coral Gables Fire Rescue, so right there they are in trouble. Depending upon the circumstances, they may not bill us at all. Different counties have different guidelines, for example on the particular HMO plan; the member would be responsible for a hundred dollar co-pay. Well that's if there is a relationship between the City of Coral Gables and Aetna. Av-Med: Ambulance transport is for emergency services and non emergent ambulance services are covered when the skill of medically trained personnel is required and the member cannot be safely transported by other means. For the HMO benefit, if a deductible applies, the member would be responsible for that amount and a co-payment depending on the benefit. For the point of service there is a deductible and a co-insurance and the amount depends on the plan. Pretty good answer. Blue Cross Blue Shield of Florida: Fire and Rescue is covered under ambulance, that's what one person said; another person said, no, it's not covered at all, and that was a Vice President. Depending upon the plan it could have a fixed co-payment for in-network providers or subject to deductible in co-insurance. Again, it depends on what coverage the individual has. Humana: Every plan is different, that's the response. We can provide general information, however each plan is slightly different in how benefits are applied. Goes on to say, please be advised this is an estimation of benefits, and all payments are subject to policy guidelines, medical necessity and member eligibility at the time services are performed. I mean, it just goes on and on, and the two companies that weren't able to get back to me on time, its really one, United Health Care and NHP; United Health Care bought Neighborhood

Health Partnership, and I have one more company. I'll pass this out to all of you, but you can see they are all over the board.

Commissioner Withers: How much does an ambulance charge usually...?

Commissioner Cabrera: It depends. Typically, what happens Chip, let's say I'm Aetna, and I'm a provider contracting person, and I'll go to ABC Ambulance Services, and I will tell them we are going to pay you one hundred dollars as a capitated fee, not a capitated fee, a per diem fee, each time you transport one of our members. In addition to that we are going to charge a hundred dollars which we are going to keep, it's going to be our money, not yours, and the total benefit now becomes two hundred dollars. If it's a particular contract, a managed care contract the member can't be balanced billed...

Commissioner Withers: I understand.

Commissioner Cabrera:...but if it's a point of service contract or a PPO contract, balance billing does occur. So its all over the board, its all over the board.

Commissioner Withers: Now how about in the automobile liability, are there medical costs?- I mean, I'm assuming that our Fire Rescue, I have no idea what the numbers are, but I would assume that elderly is probably one of the biggest users...

Commissioner Cabrera: Yeah.

Commissioner Withers:...and then I would assume that maybe automobile accidents are another user. So is automobile different from regular health?

Commissioner Cabrera: In terms of reimbursement levels?

Commissioner Withers: Yeah.

Commissioner Cabrera: Typically what happens is that the liability companies don't have as good a contract as the health care providers, so it typically moves in that direction. You know, I'm going to tell you what I'm going to do; I'm not going to be able to support this, and I mean, I've done my homework, and I encourage each and everyone of you to do yours, and then bring it back and see, and let's go ahead and actively debate it.

City Manager Brown: Just to answer Commissioner Withers question, most of our transports are residents, not automobile accidents.

Commissioner Withers: Elderly residents?

Commissioner Cabrera: Yeah.

Commissioner Withers: Is Medicare/Medicaid or whatever different from the Aetnas and the Humanas, and the Blue Cross Blue Shields of the world?

Commissioner Cabrera: The way its different Chip, I'll tell you real quickly, I'll read you what the direct response is from Medicare. A provider of service in the case of the City of Coral Gables, may not charge a Medicare program for a service which it does not charge all other patients. In fact it cannot charge a Medicare program more than it charges anyone else, with a few exceptions. A provider cannot discriminate against a Medicare program in pricing, and cannot discriminate against Medicare patients; we will be discriminating...

Commissioner Withers: Right.

Commissioner Cabrera:...and incidentally we will also be discriminating because, as I understand this proposal, if you are uninsured, then you won't be asked to pay, right, so that's discrimination, that's a discriminatory practice even though the indigent and the poor get health care services for free in this country, and specifically in this region, its still not appropriate, its still considered discrimination.

Mayor Slesnick: Well no, its done at all times...

Commissioner Cabrera: Well, just because it's done, Don, doesn't mean it's legal or...

Mayor Slesnick: No, it's not illegal to give free medical services to indigent people, its not illegal, it's the policy of this nation to do that, but Ralph, I appreciate what you've done, and I think you've made the most compelling argument that has been made since we started this discussion five years ago, I appreciate what you've done. I would ask you this though, forgetting the insurances...I mean, let's face it, let's talk about what we've done here and what you've countered is that, we talked about charging for transporting, and then in order to assuage the outcry of somebody that said they didn't want people paying for being transported, we said, oh, we'll only charge the insurance companies, we won't follow-up; and the fact of the matter is that all these other cities that we are talking about charge everyone, they don't just charge insurance companies, they just charge people...

Commissioner Cabrera: Yeah, they just charge everyone.

Mayor Slesnick: ...and it works, I mean, that doesn't mean I'm going to vote for this, it just means let's be honest, in Miami Beach they have lots of elderly, they all get

transported and they get billed, and they pay or they don't pay. In Miami they have a lot more elderly than we have, and they all get billed, and they pay or they don't pay. In Dade County they get transported, they all get billed, they pay or they don't pay. But people aren't dying in higher numbers in those cities because they have to pay for transport, and people aren't going to the poor house because they have to pay for transport. So in an effort because of one or two outcries of people that came to this meeting to say you can't charge the elderly, people are going to die, just wrong, wrong, wrong. It doesn't happen that way.

Commissioner Cabrera: I don't think people are going to die, Don, so don't...

Mayor Slesnick: So I'm saying, I think you made a great point about whether we are on the right track or not, and I think if we are going to consider this we may be bold enough to say if we are going to charge, charge and let the chips fall where they may, and if we don't want to charge we then we should say we don't want to charge.

Commissioner Cabrera: Or let me give you one more alternative; regardless of what this Commission does on this particular subject matter, I'm going to appeal to my State legislators and ask them to pass some sort of a bill that mandates insurance companies in Florida to reimburse for transport fees, reimburse the subscriber. That's really the answer; the answer is not to attack it at the local level, but to attack it at the State level, and here's what happens in the State of Florida there are mandated benefits; insurance companies must provide maternity services, they must provide podiatry, they must provide dermatology; there are lots and lots of mandated benefits that the State requires of them and this should also be a mandated benefit.

Mayor Slesnick: Well you may find that there is a receptiveness to this, or you may not, because what happened was last session, this last current session there was a bill floating that would have disallowed charging for transport by any government...

Commissioner Cabrera: OK.

Mayor Slesnick:...and it failed, it didn't get anywhere. So if they were trying to reach out for an answer to help people then maybe your plan is the more acceptable plan.

Commissioner Cabrera: I tell you why it would be acceptable because being on the carrier side for as many years as I was, they would love it, they would love it if they could have a fixed fee that they'd have to reimburse that, so that the Fire Rescue companies, Fire Rescue municipalities could not be raising it more than reducing it, but I can tell you that they would calculate that into their underwriting projections and it would be very, very low, it would be in the pennies in terms of the pricing that would affect the end user or the subscriber; and I'm almost sure that the insurance carriers would welcome this because they are confused about how to manage this process; and

to them it's a relatively new one, and I guess I told you, Blue Cross and Blue Shield of Florida have been in business in this State forever. I talked to an account executive handling large accounts, I talked to an account executive in the service level, and I ended up calling my buddy whose the number three person at the company in Jacksonville, and his responsibilities provider contracting; and I've known him for twenty-seven years and he said, you got me on this one, I got to go back and try to figure out how it all works, so.

Commissioner Withers: Let me ask...see if I can bring this to a close. David, if we pass this and you bill the insurance company or you bill Medicaid or whatever, and they come back and they say, we are not paying it, what do you do at that point?- just throw the bill out?

City Manager Brown: Throw the bill out. And Commissioner Cabrera told me something I didn't know; I didn't think that if we billed the carrier, the carrier was going to send the bill to the homeowner anyway. I thought that they either reimbursed it or they didn't, and he is telling me and I believe him, that they are going to try to get it from the...one hundred different things that they want to do.

Commissioner Cabrera: Well, they are going to want to know what happened...

Commissioner Withers: The only way I would support this...

City Manager Brown: The answer to your question is we downstairs, when the bill comes in from the Fire Department that we transported someone, he's prepared to only send the bill to a carrier.

Commissioner Withers: Could we...and the only way I would even begin to...is if at the time we send the bill to the carrier, could we send a letter to the resident or to the homeowner or whatever, and say look, we billed your carrier...

City Manager Brown: Yeah, we can do that.

Commissioner Withers:...please disregard any notice whatsoever...

City Manager Brown: That's a good idea.

Commissioner Withers:... if anything you get in the mail throw it out...

City Manager: Throw it out.

Commissioner Withers:...totally disregard it, or call us at, you know, call Coral Gables, just totally ignore it at the exact same time we bill the carrier.

City Manager Brown: I told Commissioner Cabrera, I told Commissioner Cabrera...and that's the part that he and I had spoken about was an education program to the homeowner about not paying any bill from the carrier...

Commissioner Anderson: That is exactly what we talked about when this was brought up 4 years ago was to make sure that the resident knew and the only way that I could have supported it then although it was misrepresented by a few people, was that the resident knew that they didn't have to do it. That there be an educational program or an outreach program to them. But That that's exactly what was proposed, how I would have supported back then, and now the same thing I agree with you 100% percent without that kind component piece.

City Manager Brown: Yeah but, Commissioner we have a form letter one goes to the carrier one goes to the resident.

Commissioner Withers: So, what I hear Ralph saying is though the amount of money that we would collect out of that is going to be very limited and inconsequential to the overall.

City Manager Brown: We estimated a 75% return.

Commissioner Withers: I think it sounds like it is going to be a lot less than that based on...

City Manager Brown: \$250,000.

Unidentified Speaker: Two-fifty.

Commissioner Anderson: What about the other Cities?

City Manager Brown: 75% of \$250,000.

Commissioner Withers: That is 1,000, if we charge what 250?

City Manager Brown: No, 350.

Commissioner Withers: OK, so that means we are going to be doing 1,000 pickups, for 1,000 transports. 1,000 times 350,000 75% percent of that, that means we are doing 2.4 a day or... I don't know the math, but its a1,000 transports. Do we do that many transports?

City Manager Brown: About 3,000 transports a year.

Commissioner Withers: We do 3,000 transports.

City Manager Brown: 3,000 transports a year.

Commissioner Withers: So that is \$1 million bucks we are going to be billing.

City Manager Brown: Well, no our estimate was 55% collection rate.

Commissioner Cabrera: Hey Chip two things, number one listen to this the very first thing I tell clients when I am out there initially helping them with a new product or a new plan or just educating them I tell them you have this schedule of benefits and you need to live by this schedule of benefits. If you go to a diagnostic center or a specialist or a family physician and their charges are above and beyond this schedule of benefits don't pay it.

Commissioner Withers: Right, and they still get confused.

Commissioner Cabrera: They still pay it.

Commissioner Withers: Right.

Commissioner Cabrera: Each and every time I get involved, by the time my company get's involved is because the decision maker or the employee is throwing their arms up in the air and they are either trying to get money back with the...hellp... Offline I am going to give you an example that is very close to you.

Commissioner Withers: No, I understand.

Commissioner Cabrera: No, but anyway the second part I just thought of something new based upon what David just said, now David is saying that the cost is going to be \$250 dollars and we do a mass education campaign out there.

City Manager Brown: Right.

Commissioner Cabrera: I am now an educated consumer, I am an educated patient, OK, and I have an episode at my house where I have chest pains and fire rescue one comes to the house and they say hey commissioner we are going to transport you. No you are not because my Humana health plan ambulance is a \$100 copay please call an ambulance for me. Meanwhile I could die in the interim and that is stuff that happens all the time with people on fixed incomes and I mean my own father if he knew that there was a fire rescue fee he would have had himself transported to the hospital he would have never called me and who knows if he would have made it there. So, that is

the real concern that I have and I am not trying to be dramatic Don, but it is a real live issue. And if we are going to have...look if this is something that is that important to the City and we are still confused about it, I am willing to say I will support a tax increase before I support a transport fee and for me to say that it is really difficult because it goes against my fiber.

Commissioner Anderson: Could we get some figures from the other departments that do charge how they handle this kind of situation we are talking about, that kind of sensitive...I'd like to see that as well.

City Manager Brown: Yes, I'll have Chief Reed do a complete synopsis.

Commissioner Withers: We are basically looking at a \$5 per resident. I mean you are looking at \$225.

City Manager Brown: \$225, \$250, I think is what we have in the budget.

Commissioner Withers: You know at \$5 a resident that is \$220 whatever thousand dollars.

Commissioner Cabrera: So you know what charge that as an extra fee for every resident in our City.

Commissioner Withers: I mean I think that is where Ralph is headed towards.

Commissioner Cabrera: Charge it. Charge every citizen \$5 and charge and throw in a dollar for the crime watch, whatever the hell you want to do, and...[Laughter]

Commissioner Cabrera: No, I am serious, and then, you know, let them come to me and complain and then I can handle that argument. I will defend the City to the enth degree on that argument.

Commissioner Withers: Even if it is \$10 and forget about raising recreation fees 5% or whatever.

Commissioner Cabrera: Well look at the direct connect fee that I mentioned to you. I mean why should business be benefited, I mean, don't get me wrong, I am big proponent of the downtown area, but at \$10 or \$15 a month for the piece of mind of knowing that your Police Department is going to respond to your burglar alarm before your dispatch unit that is pretty impressive.

City Manager Brown: Mr. Mayor, I have 12 slides here on the accomplishments, if you don't want to see those now I was prepared to show those at the public hearing.

Mayor Slesnick: We've got them, we've got them, and do your directors have them?

City Manager Brown: They will have them.

Mayor Slesnick: I mean I'd like to have everybody that wants one to have one because I think it is something that they need to know to be able to communicate. We need to have a motion and a vote to direct the Manager and his team to notify the county of proposed millages this year and the Manager has suggested that we notify the public that we are considering 5.25 millage rate which would be the same as last year, and of course as you know and remember from past years we can go down from there but we cannot go up from there. So we could notify them of a higher one or we could notify them of that one, but it has been recommended 5.25.

Vice Mayor Kerdyk: I'll make that motion.

Commissioner Withers: I'll second it.

Mayor Slesnick: Moved by Mr. Kerdyk, seconded by Mr. Withers, any discussion on this? And just to remind everyone one more time since we have the press here this is our to the County, it will be published to the Citizens that we are considering a 5.25 millage rate as it is the case to do to 5.25 we will have to have 4 votes to do less we will have to have 4 votes until we get down to 4.9 or something we have to have three votes for that which doesn't make much sense to me because I guess that will automatically go into effect if we voted, if we didn't vote at all. Any discussion?

Mr. Clerk.

City Clerk Foeman: Commissioner Anderson?

Commissioner Anderson: Yes.

City Clerk Foeman: Commissioner Cabrera?

City Clerk Foeman: Yes.

City Clerk Foeman: Vice Mayor Kerdyk?

Vice Mayor Kerdyk: Yes.

City Clerk Foeman: Commissioner Withers?

Commissioner Withers: Yes.

City Clerk Foeman: Mayor Slesnick?

Mayor Slesnick. Yes. David and Don thank you and thank the directors for their hard work on the budget, and on their...

City Manager Brown: I'll do that at 2:30 today.

Vice Mayor Kerdyk: Thank you very much.

Commissioner Cabrera: You did a very nice job on this.

Commissioner Withers: That was easy.

ADJOURNMENT

[Note for the Record: There being no further business on the Budget Workshop Agenda. The Commission of the City of Coral Gables adjourned its meeting at 10:34 am on July 16, 2008. The next regular meeting of the City Commission has been scheduled for August 26, 2008, beginning 9 a.m.]

DONALD D. SLESNICK
MAYOR

ATTEST:

WALTER J. FOEMAN
CITY CLERK