

**CITY OF CORAL GABLES BUDGET/AUDIT ADVISORY BOARD**

**Wednesday, September 6<sup>th</sup>, 2023, 8:00 a.m.**

**Location: City Hall Conference Room**

**405 Biltmore Way, 1<sup>st</sup> Floor, Coral Gables, FL 33134**

**Public via Zoom: Meeting ID: 842 4397 5634**

**MEETING MINUTES**

<b>MEMBERS</b>	<b>S</b>	<b>O</b>	<b>N</b>	<b>D</b>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>APPOINTED BY:</b>
	23	23	23	23	24	24	24	24	24	24	24	24	
John Holian	A												Mayor Vince Lago
Frank Paredes	P												Vice Mayor Rhonda Anderson
Debra Register	P												Commissioner Melissa Castro
Joseph Palmar	P												Commissioner Ariel Fernandez
Carmen Sabater	A												Commissioner Kirk Menendez

(Dash indicates no meeting; blank space indicates member not yet serving.)

^ New Member

#- Special meeting

P – Present

\*\* - Resigned Member

A – Absent

PVC – Present Via Video Call

E - Excused

**City Staff:**

**Diana Gomez**, Finance Director

**Paula Rodriguez**, Assistant Finance Director for Management, Budget & Compliance

**Call to Order:**

The meeting was called to order at 8:05 AM by Frank Paredes. The roll was taken, and an in-person quorum was established. The meeting was also available on Zoom for public access.

**Meeting Minutes**

A motion was made by Debra Register seconded by Joseph Palmar to approve the March 29, 2023 meeting minutes. A slight correction to the minutes was suggested by Mr. Paredes regarding the presentation of discount rates of leases when presenting leases to the Budget Audit Advisory Board.

Mr. Paredes inquired about his Chairmanship and Diana Gomez explained that it is customary to serve as Chairperson until all members of the Board are present to have an opportunity to vote and make nominations.

• **Discussion regarding First Budget Hearing**

Mrs. Gomez suggested that Paula Rodriguez go over the process of the budget hearing and where we are in the budget process, so that the new Board Members have a better understanding. Mr. Paredes welcomed Mrs. Rodriguez as this was her first meeting due to the former Assistant Finance Director retiring from the City of Coral Gables. Mrs. Rodriguez provided a little background about herself and the time that she has been working in governmental budgeting....

Mrs. Rodriguez presented the Board with a calendar of significant dates highlighting important milestones in the budget process Mrs. Rodriguez proceeded to explain that the Finance Department begins the Budget process early in the year, approximately around February. The Finance Department begins by meeting with the other City departments and gaining a better understanding of their financial needs. The departments submit what is known as the “100 percent scenario.” The 100 percent scenario is the same budget amount as the current fiscal year with any adjustments needed between accounts. Departments start with this as a base budget and request new needs, such as increases to required rates to be considered and planned in the budget. In

addition, the Finance Department also goes through the Capital budget process where they meet with the departments, City Manager, and Commission including a public workshop during which capital projects requests are discussed and prioritized.

Our general fund budget is mostly supported by property taxes in addition to revenue from the State and charges for City services. The July 1 Budget estimate is created with estimated property values sent to us by the Property Appraiser. The Finance Department works with the estimated property values, because final values are not provided until July 1<sup>st</sup> which would not provide enough time to meet the July 1 publication deadline of the Budget Estimate. During the 2nd Budget Workshop, the June 1 estimated property values are presented. In addition, the City's tentative millage rate is also adopted so that it may be provided to the Property Appraiser's office to be included in the property tax notice. Mrs. Rodriguez explained that there is a specific set of rules regarding hearing dates and when they are allowed to be held, and the timing notices are sent regarding said meetings. These dates are determined depending on holidays, religious dates, as well as the County and School Board.

Debra Register expressed a concern regarding lowering the millage rate as this will affect City funds. Mrs. Rodriguez explained that it is the recommendation of the Finance Department for the millage rate to remain at the current rate of 5.559. However, it is ultimately up to the Commission to determine the outcome. It is recommended that if any particular Board Member has any particular opinion, they should express it to the Commission.

Mrs. Rodriguez also explained that when meeting with individual departments and hearing resident's concerns for improvements etc., the needs surpass the available funds, and some projects/requests are not able to be funded.

Our July 1 budget estimate was \$260,751,740 and Mrs. Rodriguez summarized the various revenue categories that contribute to that amount. Mr. Palmar asked if the transfers from the reserves are related to capital expenditures not incurred in previous years or if they were related to excess revenues over expenses transferred in from prior years? Mrs. Rodriguez explained that it depends on the fund. The City Clerk's special reserve for example, is specifically revenue generated by the City Clerk's office over their expenditures. They are remodeling the Passport Office in FY 24 and that is what their \$1.6M in reserves is funding. Mr. Palmar asked if the rest of the funds were based on differences of unused capital expenditures over prior years. Mrs. Rodriguez explained that the General Capital Improvement Fund consists of any unused capital and any interest income that has become available for use in a subsequent year. She also explained that the Building division revenue, which is permit revenue, is restricted and must be used towards expenses in their division and that any revenue over expenditure at the end of the year goes to their reserve fund. The Art in Public Places fund is constantly being funded and is allocated to be used only when eligible projects are presented. Mr. Palmar inquired if his understanding that operating and capital surpluses can be carried over to the following year is correct. He also inquired as to how long they can be carried over. Mrs. Gomez confirmed that fund balance could remain indefinitely, however, surplus funds are used in a subsequent year's budget to fund capital needs.

Mrs. Gomez briefly went over the 25% reserve fund balance requirement in the General Fund. The FY24 revenue of \$247M in the presentation was compared to the July 1 Budget Estimate, and it was explained that the \$247M was the sum of \$245M of operating revenue plus \$1.5M in interfund transfers, and that approximately 50% of the operating revenue is made up of ad valorem taxes. Mrs. Rodriguez explained that we only benefit from the preliminary FY23 values, not from the finalized values provided to us at the end of August 2024. Mrs. Rodriguez summarized the revenue estimate amount of \$260M generated by the June 1 estimates provided by the Property Appraiser's office and went over in detail how the estimate is adjusted from the July 1 Budget Estimate and the increases to the revenue of \$2.39M.

Mr. Paredes inquired if the City is considering environmental changes that may lead to additional fees/taxes to power/gas as he noticed an increase in utility taxing. Mrs. Rodriguez assured Mr. Paredes that we are constantly considering changes in the environment as well as the market to better project future trends. Mrs. Rodriguez also explained that the City is always pursuing grants that can offset project or program costs or enhance a project. Mrs. Rodriguez also explained that not all grants are included in the budget as they are not all recurring. Debra Register commented that it is important that for some of the grants we receive, that we require a matching fund. Mr. Paredes inquired as to whether the Recreation revenues and whether they have returned to pre-pandemic levels. Mrs. Rodriguez explained that revenues has recovered from the impact COVID and are expected to exceed pre-pandemic levels considering that fees were also recently increased. Mr. Palmar inquired about the surplus for Recreation fees. Mrs. Rodriguez explained that our Recreation program is not set up as revenue generating. Mrs. Gomez followed stating that we don't budget for surplus, we budget for revenues=expenditures in our budget and that certain vacancies can cause a surplus.

Mr. Paredes inquired regarding the Country Club and the Golf course being contract based. Mrs. Rodriguez explained that the Country Club has been taken over by the City. We are estimating a lower revenue amount for FY24 for the Country Club based on the FY23 revenue, which was low due to timing of remodeling the facility and event spaces. For the FY24 estimate we are being conservative but expect higher revenue than FY 23.

Mr. Paredes inquired about investment earnings and the volume. Mrs. Gomez explained that any idle cash is invested in U.S. Treasuries & Agencies except for a minimum balance left in the bank to prevent bank fees and clear checks. Mrs. Gomez presented a spreadsheet of our current investments, briefly explaining the amounts and maturity dates. It's very important that we have the funds at different times of the year to pay out different pensions. She also explained that in the government sector, we prioritize principal reservation, liquidity, then profit. Mrs. Gomez explained that our Investment Manager, is doing an exemplary job at looking at the market for the best rates with a conservative approach. Since the market cannot be controlled, we always try to be conservative and not overly estimate revenues.

Mr. Palmar brought up the inquiry if the other cities with AAA ratings anticipate lowering their millage rate and if their fund balances are also 25%. Mr. Palmar explained that other cities also have a AAA rating and don't have a 25% fund balance. Mrs. Rodriguez explained that their particular fund balance may be related to their available balances and other obligations a particular City may have. When comparing fund balance reserve policies, Boca is at 10%, Palm Beach is at 25%, Palm Beach Gardens is at 17%. Mr. Palmar inquired about who came up with the 25% fund balance. Mrs. Gomez explained that in 2016/2017 the City Manager and the Finance Departments came up with the policy due to, for example, a concern that if there is a hurricane, we don't receive funds from FEMA immediately. Those funds can take 5-6 years to be reimbursed to us and in the meantime, we need to have cash on hand to fund the cleanup and repairs created by these natural disasters.

Mr. Palmar also inquired about whether the City uses 100% of the budget by end of FY. Mrs. Gomez explained that we don't normally reach 100% budget use as there is always a surplus due to vacancies which is then used for capital in a subsequent year.

Mrs. Register inquired about the development of a future parking garage. Mrs. Gomez explained that we are setting aside requirements for debt service for that project. The budget is being "trained" to absorb the needed debt service. Mr. Palmar also inquired about the current balance for this debt service in parking to which Mrs. Gomez explained that it was \$2M.

Mr. Palmar requested a year end surplus analysis for the previous 5 years. Mrs. Gomez and Mr. Paredes explained that information can be found in the CAFR (Comprehensive Annual Financial Report) under "statement of activities" in the general fund. Mrs. Gomez explained that that same information for previous years can be found in the CAFR for each individual year which

can be found in the Coral Gables website under the Finance tab. Mrs. Gomez also went over the total for the restricted and unrestricted funds.

Mrs. Register explained a concern is the deterioration of the City Hall building and an increase in property insurance rates due to this building being at higher risk for a casualty. A delay in building repairs is costing the City more than what would have been the repair costs at an earlier point in time. Mrs. Rodriguez presented capital matrices that were created approximately 10 years ago with the purpose of planning for our finances and budgeting. One-time surpluses are taken at year end and put towards either one time needs for a department, or it is put into capital. The capital matrices fund the replacement and repairs of certain items based on the useful life including vehicles, roofs, etc. A portion of the revenue generated by the high increase of property values in FY23, the City developed the 5-year priority project funding plan and identified priority projects to be funded, including City Hall. As the projects in the plan are completed the plan is to identify additional facilities to be funded by the plan in future years.

Mrs. Register suggested that using the reserves to repair City Hall should be considered, Mrs. Gomez explained that if we start using our 25% reserve fund balance, we jeopardize our AAA rating as they look highly on that policy. She also explained that it's a slippery slope using a "portion" of fund reserve balance. Mr. Palmar mentioned that none of the other cities, nor major healthcare systems in South Florida have a 25% fund reserve balance and they are AA rated and can still raise funding/debt effectively as needed.

Mrs. Gomez explained that the repairs to City Hall will take time, but the City is actively working on the building and currently repairing the 3<sup>rd</sup> floor. Once the Finance Dept moves to the 3<sup>rd</sup> floor, repairs on the lower floors can begin. The windows needed are restricted by historic parameters and must be specific, causing the renovations costs to be very high. Mrs. Register still had a concern regarding insurance rates.

Mrs. Rodriguez explained that Public Works is in the process of evaluating all City building, including City Hall, for recertification and bringing them up to standard. Mrs. Register continued to express the importance of hardening the building, however, the windows are still in the process of being approved by Historic. Mrs. Rodriguez also described all the streams of funds that will ultimately be put into City Hall repairs. It is estimated that by FY25 there will be enough funds to cover the windows. Mrs. Register expressed that in 2025 the cost of the windows will have increased. Mrs. Gomez explained that there is a long manufacturing period, and as soon as Historic approves the windows, we will begin putting deposits on the windows.

Mrs. Rodriguez continued to review the changes from the July 1 Budget Estimate to the estimate included in the Budget to be presented at the 1<sup>st</sup> Budget Hearing. The ordinance and supporting schedules summarizing the changes from the July 1 Budget Estimate to the estimate for 1<sup>st</sup> Hearing were published the night before the board meeting, and Mrs. Rodriguez advised the Board these would be emailed to them for their review.

Mrs. Register questioned the need for as many employees in certain departments given a rise in technology. Mrs. Gomez explained in the Finance Department for example, we are in need of more employees due to the workflow. Most departments are physical in the nature of work they perform.

The Board expressed that although the meeting ran longer (Budget Review) it was very informational. Mrs. Register inquired about voting on a certain topic, but Mrs. Gomez explained that typically, the appointed Board Member meets with their Commissioner to express any concerns/advice they may have on any given subject.

- **Discussion regarding FY 2024-2028 Capital Improvement Plan**  
Deferred to next meeting.
- **Scheduling**  
The next meeting is scheduled for October 25<sup>th</sup>, 2023-8:00 AM.

**No Public Comments were made.**

**Adjournment:**

Meeting Adjourned at 9:28 AM.