

City of Coral Gables City Commission Meeting
Agenda Item H-4
April 8, 2014
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Jim Cason

Vice Mayor William H. Kerdyk, Jr.

Commissioner Pat Keon

Commissioner Vince Lago

Commissioner Frank Quesada

City Staff

City Manager, Patrick Salerno

City Attorney, Craig E. Leen

City Clerk, Walter J. Foeman

Deputy City Clerk, Billy Urquia

Finance Director, Diana Gomez

Public Speaker(s)

Donovan McGinley, McGladrey LLP

Agenda Item H-4 [Start: 10:51:05 a.m.]

Resolution accepting the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013 by McGladrey, LLP, Certified Public Accountants.

Mayor Cason: Then we'll move onto Diana Gomez, Item H-4, which is some more in my perspective some extremely good news, this report.

Ms. Gomez: Good morning, Diana Gomez, Finance Director. As mentioned, we had issued the Comprehensive Annual Financial Report for the City as of 9/30/2013, that report was just recently issued and I have the Audit Partner, Donovan McGinley here, he has some things that he needs to go over with you. I believe you should all have the actual financial statements in your packet and we are here to answer any other questions you have. So Donovan McGinley from McGladrey.

Mr. McGinley: Thank you Diana. Mayor, Vice Mayor, Commissioners, good morning, I'm here with my associate _____ Harris, who oversaw the audit. As Diana mentioned we did perform the audit of financial statements for September 30, 2013. The objective of that audit is to opine on the reasonable and fair presentation of the financial statements. We have issued our report; our report is a clean opinion, unmodified opinion, which is the highest level of assurance that we can provide.

Mayor Cason: So we get a gold star.

Mr. McGinley: Its equivalent to gold star. It's the highest level of...any auditor can provide on the financial statements and that's what's in the report. Just a few items we want to go over. As part of the audit, I want to report to you that we had full access to management, we had full access to all the records, we were not impeded or influenced by anyone or anything. We also had no disagreement with management in the application of accounting standards or auditing procedures. There are certain aspects – financial statements represent all factual transactions, but inclusive in that are major estimates and in the report there are a few items in terms of what those estimates include, one which was right here, risk management, pensions, other employee benefits, accounts receivable balances. As part of the audit we evaluated management's assessment of those estimates, we consider them to be reasonable and consistently applied. In addition to the audit and financial statements, we also audited the City's federal and state funding, what we call the single audit, which are the programs that they get from both federal and state agencies, that report is also included in your package. We had no issues noted in that report; they were fully compliant in terms of what we noted as part of administering those grants. The final thing we did was to; we also issued what's called a Management Letter, which is in accordance with the Rules of the Auditor General. There are some prescribed notions that are inclusive in there; one being that we assessed to make sure if the City is in what's called a state of financial emergency or if we found any instances of ____ financial conditions in our audit we noted no such things and we have reported it accordingly. There are a couple of comments that we noted during the audit, nothing that rise to the level what we call significant deficiency or mature weaknesses, but there are a couple items that we reported as what we consider best practice, what we think would be good in terms of for the City to implement. Management has responded accordingly and we think management's response is reasonable. With that I'll turn it see if you have any questions in terms of what we did.

Mayor Cason: Thank you. So we get one of those awards again for...

Ms. Gomez: We should.

Mayor Cason: Diana would you – thank you very much, could you go into some of the highlights of the financial statements of the City. I read the whole thing in great detail and very, very pleased – there is a lot of interesting information in there.

Ms. Gomez: Let me focus on looking at the government's financial statements as the General Fund. The governmental fund of the City where the main operations. We have a lot of different funds; capital projects, internal service funds, proprietary funds, but the main focus really is the General Fund. As we mentioned before, the General Fund unassigned fund balance, which means total Unrestricted Fund Balance did go up by approximately \$7.6 million from the previous year, so it's at \$28.7 million, and that's a great place to be. If you look at – that number actually represents 22 percent of our operating expenditures, budgeted expenditures, so it's a good number. Our goal is always somewhere between \$15-\$20 (million), GFOA says anywhere between 15 to 20 percent of Fund Balance is a good place to be, so we are at the 22 percent.

Vice Mayor Kerdyk: The highest that we've ever had in the City has been \$16 million, so to get to \$28 million, \$28.7 is a good thing, very, very good thing.

Commissioner Keon: For the benefit of the public that may be here listening to this, that is the amount that we reserve to as our reserve, isn't that right?

Ms. Gomez: Correct. Unrestricted reserve.

Commissioner Keon: So it's Unrestricted...

Ms. Gomez: There are a lot of reserves....Restricted purposes..

Commissioner Keon: When we talk about and the public hears our financial statement that what they view as our reserves it is not money, it is the \$28.7 million is...

Mayor Cason: And that was a combination of increase revenue and decreased expenditures of 50/50, was it?

Ms. Gomez: That sounds about right, yes. Obviously, controlling expenditures plays a big part of things; property tax revenues have not been increasing so greatly, it's actually been going down, so it is mainly controlling expenditures and having other revenue sources that have been able to...to get us to that point.

Mayor Cason: Because we have been – I'm noticing in the inter-fund transfers, we as a practice are constantly shifting funds back between various pots of reserves to meet capital needs at a

particular time and then some of them go back in again. Where do we stand in sort of total reserves of all of these pots? I know some are Restricted, but your categories are Unrestricted, Restricted that sort of reserved...

Ms. Gomez: In the General Fund again, just talking about the one main operating fund of the City, we have \$4.1 million of Restricted reserves, Restricted fund balance. Then we had about \$2.4 million of what we call assigned fund balances, it's not Restricted to the highest level that it must be, but it's been assigned and is committed so-to-speak to a certain project or whatever, and that's in the General Fund, and the of course \$28.7 (million) in the Unrestricted; and then all the different funds have their own respective fund balances. I mean, I can go through them all, but there are a lot of different funds. In terms of capital, let's just say, the General Capital Fund, right now it has a total fund balance of \$21 million, of that about \$10 million of it has been assigned to projects and there is about \$10 million of it that's kind of unassigned that can be used in the upcoming budget to assign it to projects and things. In terms of all the other funds – the Proprietary Funds, for instance, which are the – we have the Sanitary Sewer System, the Parking Fund and the Storm Water Fund. We do have – they report their – they require a statement of Net Position which is different, we don't call it fund balance really, we call it Net Position, and so Unrestricted in the Sanitary Fund even though it reports there as \$4.4 million some of that is really been assigned to projects, so the true Unrestricted is \$1.3 million, which is the reappropriated dollars. The Parking Fund, \$4.4 million is unassigned and the Storm Water Utility Fund about \$2.2 million is unassigned, so they have met their operations, they have contributed back to the General Fund where they need to...with an investment or indirect cost allocation back to the General Fund, but they still have some Fund Balance there in order to be used for their operations should it be needed.

Vice Mayor Kerdyk: I guess the question is always, God forsake a hurricane happened or something like that and you had to borrow from your funds. I know we have the \$28.7 million, but I understand that you can pull from other funds for an emergency basis. So the question is, how much could we access if some unfortunate casualty happened in the City of Coral Gables?

Ms. Gomez: And I don't have that one number calculated...

Vice Mayor Kerdyk: That's OK, you can calculate it someday.

Ms. Gomez: I can probably get that information for you. Most of the other funds, if it's a restricted fund obviously it's only for the purpose of the fund, you can't pull it.

Commissioner Lago: Can you do me a favor also, just going off what the Vice Mayor said; \$28.7 million is kind of like a "rainy day" fund. Can you find out for me what is the amount we

currently have in regards to unallocated funds?- when I was reviewing this last night I saw that, for example, the Vice Mayor has a project which I think he's working on in reference to purchasing property to hopefully make more parks, correct?

Vice Mayor Kerdyk: Yes.

Commissioner Lago:....and I think we had about \$500,000 allocated for that money, for that project, excuse me, the line item is \$500,000.

Ms. Gomez: In the budget we appropriated \$500,000; I think it was two years that we did that.

Commissioner Lago: And obviously so let's say we have about a million dollars that...

Ms. Gomez: \$300,000 each year.

Commissioner Lago: \$300,000?

Ms. Gomez: It's \$300,000 each year.

Commissioner Lago: So we are about \$600,000. We are all aware that \$600,000 doesn't buy you much in the City of Coral Gables, so next year we are obviously roll that over. Just for my own edification because I'd like to find out, how much monies do we have unallocated in the current situation similar to the two years roll over that we have, what would you call it, the parks?- or land purchase, excuse me.

Ms. Gomez: For land purchase I don't think that we have any other monies set aside. As Vice Mayor Kerdyk asked for the total balance of unassigned in all funds, then the Commission could decide to use or allocate or appropriate some of those dollars for the purchase of land if they wanted to in the budget process.

Mayor Cason: Any other highlights in all these numbers?

Ms. Gomez: No. I mean for the most part we are very pleased with the Fund Balance where it's at, very comfortable with everything that's there. I want to thank my staff for all the hard that they put in into putting this together and working with the auditors; I couldn't do it without them.

Vice Mayor Kerdyk: I have one other question, last question – promise. We are double A-Bond rated, onetime we were AAA (triple-A) Bond rated, how do we get back to AAA? I've always heard it by increasing our reserves up to where they are right now, that should be the dealmaker

right in this area here. Are we on the threshold of possibly being considered for AAA Bond rating?

Mayor Cason: And in that context with the new GAF, whatever you call it, about counting your pension debt, is that a risk to go for a higher one?- could you get lower?

Mr. McGinley: Let me start by saying, I think the City is going to be in the process of doing a bond rating. To your question about the pension – in the upcoming year the City's pension full liabilities are going to be reflected on the financial statements. Currently the jury is out in terms of how the market is going to react to that. We don't know how we are going to evaluate that, it's a very good question you ask. The good news is that every municipal government in the United States will be subject to the same condition, so whatever weight is put on that specific item should be spread equally.

Mayor Cason: Can we petition the bond agencies to give us another look or do they come and say, we'd like to give you another look?

Ms. Gomez: So typically what they do normally is every year or every two years they do their annual surveillance review. Usually we don't get an increase because of that, perhaps they are going to be doing one very soon with one of the rating agencies, but we are going to go to market should the streetscape, the Miracle Mile Streetscape Plan, we are going to bond out those dollars, and so we will be going to market for those bonds, and with that we will go to the rating agencies and we will ask them to review and hopefully get an increase. I'm optimistic but you just don't know, there are a lot of things; Fund Balance is there, we've been making reform to pensions, we've been doing everything the way that we should be doing it, so if that means it's going to happen?- I can't tell you that. So we will go ask them to rate us for the purpose of this....that we are going to be doing soon, and so in that process they will rate us, fingers crossed.

Commissioner Lago: I think that's an important component because as you mentioned, as we move forward with the streetscape in the near future, we are talking about an \$18 million project and when you bond that if you have a higher rating you have, AAA, you are going to be saving tens of thousands of dollars just on the interest, because that mechanism works completely on interest, so it's important as the Mayor was saying to try to raise our rate as much as possible.

Mayor Cason: I just have one question. I forget the page number, but I saw as a liability or as a collectable \$3.4 million for garbage fees, that's a tremendous amount of people who haven't paid for their garbage pick-up. Is that recoverable?- or is that written off?

Ms. Gomez: No, it's not written off, and I don't recall the number exactly, so if it's that, what is it we have a lot of past due accounts for many years, we have ever since our new Treasurer has come we have been making a very big effort into trying to collect that. We've been very successful in collecting a lot of the past due, that number was higher and we've been able to collect it, and so what we do is we end up making sure that eventually we put a lien on it and eventually if they don't pay it when the house transfers ownership they have to pay it.

Mayor Cason: At some point I'd like to get more detail on how many people?- how long?- how much you think is recoverable?- and from the attorney to see....

Ms. Gomez: We are going after all of it.

Mayor Cason: That's a lot of money.

Commissioner Lago: Would that be correlated with what Commission Keon's request is to abandoned homes?- and then maybe the banks or the owners are not paying their trash fees?

Ms. Gomez: The owners are just not...

Commissioner Lago: Responsive.

Ms. Gomez: A lot of this is many years old.

City Attorney Leen: If I may, we have been pursuing these aggressively...

Ms. Gomez: Yes.

City Attorney Leen:...and that's been over the last year and the special assessment liens, ultimately we can foreclose those, those are enforceable liens even against the mortgage....

Commissioner Lago: Really?

City Attorney Leen: We've been careful about that because it does – sometimes what happens is people will come into the home and they will not be informed and in my view they should know, they should look into it.

Commissioner Lago: Craig, so what you are saying is....

City Attorney Leen:...but they will not know about the special assessment lien and then we come forward and tell them to pay it and normally we are able to work it out with them and we have certain policies that we apply and how much we are willing to adjust it, particularly when they are unknowing, sometimes we'll waive the interest or something like that, but generally we enforce them.

Mayor Cason: It would be interesting to look at how many of them are sort of related to foreclosures and abandoned homes and how much are sort of people that are still getting their garbage picked up and don't pay their bill.

City Attorney Leen: Right – we could look at that.

Commissioner Lago: And the important thing about that as we all know, when a home is sold Vice Mayor, you have to clear every lien on the property, the new owner, you have to.

City Attorney Leen: They are supposed to. Even liens that probably have been foreclosed or extinguished, they still will attempt to eliminate them and we get a lot of calls for those, we'll work with the new property owner, but just so you know, we generally require stipulation whereby they agree to bring the property up to Code, and I'm going to be talking about this a little later today when we talk about the abandon property ordinance.

Commissioner Lago: Can we change the mechanism just like you are moving forward to change the mechanism in reference to abandoned properties?

City Attorney Leen: Of course. We can be more aggressive....

Commissioner Lago: To be a little bit more aggressive in that sense.

Mayor Cason: How about coming back to us in a future meeting and give us some facts about how much is fresh and could be collected from people that are still living there and how much is old and whether there is any way you can have a deal with one of these to give us 20 cents on the dollar, because that \$3.4 million it could buy a lot of land and could do a lot of other things, so.

City Attorney Leen: I'll coordinate with Finance, with the Acting City Manager and we will come back next time with a plan.

Mayor Cason: OK. Thank you. Thank you very much – anything else? Thank you.

Ms. Gomez: Thank you.

Mayor Cason: Great work.

Commissioner Lago: Great work.

Vice Mayor Kerdyk: Thank you very much.

[End: 11:08:33 a.m.]

Mayor Cason: Just one second, I forgot. The last one was a resolution, so could I have a motion?
OK – Commissioner Quesada

Commissioner Lago: Second.

Mayor Cason: City Clerk

Vice Mayor Kerdyk: Yes

Commissioner Lago: Yes

Commissioner Quesada: Yes

Commissioner Keon: Yes

Mayor Cason: Yes

(Vote: 5-0)

Mayor Cason: Thank you sorry.