

FINANCE COMMISSION MEETING
Tuesday, January 24, 2023 – 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

AGENDA

- 1. CALL TO ORDER**
- 2. ELECTION OF OFFICERS**
 - A) Chairman**
 - B) Vice Chairman**
- 3. APPROVAL OF MINUTES**
 - A) [August 8, 2022](#)**
- 4. FINANCE DIRECTOR'S MATTERS**
 - A) Update on FY 22-23 Budget and Spending**
 - B) [Status of Breeze Airlines Financial Requirements](#)**
- 5. PUBLIC COMMENT**
- 6. CHAIRMAN'S MATTERS**
- 7. MEMBER'S MATTERS**
- 8. CLERK'S MATTERS**
 - A) Quarterly Meeting Dates**
- 9. ADJOURNMENT**

This is a Public Meeting. Should any interested party seek to appeal any decision made by the Commission with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

FINANCE COMMISSION MINUTES
Wednesday, August 8, 2022 – 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairman, Robert Jones; Vice Chairman, Kathryn Barton; Members: Joan Edwards, Alternate Member, Jay Kramer and Alternate Member, Gretchen Hanson **Also Present:** Finance Director, Cindy Lawson; City Attorney, John Turner; and Senior Administrative Assistant, Rita Chartier

Excused Absences: Scott Nuttall and Gene Waddell

1. CALL TO ORDER

Today's meeting was called to order at 9:30 a.m.

2. APPROVAL OF MINUTES

A) April 20, 2022

Mrs. Edwards made a motion to approve the minutes of the April 20, 2022 Finance Commission meeting. Mrs. Barton seconded the motion and it passed unanimously.

3. PUBLIC COMMENT

None

4. FINANCE DIRECTOR'S MATTERS

A) Review of FY 21-22 Second Quarter Financial Reports and Variance Analysis

Ms. Cindy Lawson, Finance Director, gave a brief overview of the FY 21-22 Second Quarter Financial Report and Variance Analysis (on file in the City Clerk's office). She stated one (1) thing that matters the most in this report is on page 4. They will see that the year to date interest revenues are a negative \$2.1 million. She explained that the Government Accounting Standards Board (GASB) requires them to book unrealized gains and losses as revenue. The City has a substantial amount of non-substantial cash balances in treasury bills and some mortgage backed securities. As interest rates began to rise, their unrealized losses became fairly large. She explained that with treasury bills, if they hold them to maturity they will not take a loss. They keep a close eye on their cash flow needs and they have no intentions of getting rid of any of these treasury bills before their maturity dates. As they get closer to the maturity date the interest payments start to outweigh the unrealized losses. This was not really an issue before when the City only had small idle cash investments, but when they sold the electric utility they had a huge amount of idle cash investments in the General Fund.

Mrs. Barton asked if the treasury bills are laddered.

Ms. Lawson replied that they have a variety of them with different maturity dates ranging from one (1) to seven (7) years. None of them are long term bills, but there is a nice mixture.

Mr. Kramer asked if they are seeing this negative interest spread across all of the fund accounts.

Ms. Lawson replied yes, but the General Fund has the most at this point.

Mr. Jones said he looked over the information that Ms. Lawson provided and he did not see anything of concern. He asked Ms. Lawson if there was anything that would be a concern to her about the FY 21/22 budget.

Ms. Lawson stated the only thing that concerned her was on the revenue side, which she just discussed. On the expenditure side everything is tracking nicely. There is potential they could receive funds from some unexpected revenue sources to offset this, including some old sizable reimbursements from the Federal Emergency Management Agency (FEMA).

Mrs. Barton asked if all of the insurance premiums have been paid.

Ms. Lawson stated that the insurance is paid quarterly and they have all been paid. They have made three (3) quarterly payments as of March 31, 2022, so they are right on track.

Mr. Jones asked if circumstances do not allow the City to pursue a capital project, those funds are not used to balance the budget are they.

Ms. Lawson replied no. That is the reason they budget the Five-Year Capital Improvement Plan (CIP) projects for the Enterprise Funds a little differently.

Mrs. Barton asked if the insurance was substantially increased for the Marina.

Ms. Lawson replied that they have not yet received a quote from the Florida League of Cities for next year's general ledger. However, she put an additional 10% increase in the budget just to be safe.

Mr. Jones said he was surprised how important the diesel and gasoline sales are to the revenue for the Marina. He asked if they are maintaining a margin.

Ms. Lawson replied yes. They shoot for a very consistent margin, but it has gone up as the prices have increased.

B) Report on Proposed FY 22-23 Budget

Ms. Lawson explained that since the City started the glide path they did okay using the prior year's millage rate, because they also had other things that went up that they did not anticipate. She explained that a couple of things happened in this year's budget. Last year City Council budgeted more for the glide path, which left them short for this year. However, they had a great increase in property tax values, which helped even it out. Lastly, the City Manager proposed a 5% increase in employee salaries across the board. At the budget workshops on July 14th and 15th the budget was

balanced at a millage rate of 2.7430, which was .2430 mills higher than the prior year. City Council also discussed at those workshops if it was appropriate to balance the budget using the millage rate increase or using some other sort of a one (1) time revenue source, such as the American Rescue Plan money. City Council decided to adopt a millage rate not to exceed 2.7292, which is what went out in the TRIM notices. They held another City Council workshop on August 3rd to discuss this further and to make sure that when they get to the public hearing in September the budget is what they want to see. At that August 3rd workshop City Council also brought the millage rate down a bit more to 2.7164. For the September 6th public hearing, City Council has directed staff to bring a balanced budget using the millage rate of 2.7164. They will make a decision at that time to use the new millage rate, use some other revenue source, or a combination of them both.

Mr. Jones asked what is the percentage of the increase.

Ms. Lawson said compared to last year's millage rate, it is about 8.7% more.

Mr. Jones asked how much did the assessed property values go up.

Ms. Lawson replied that they went up 11.6%, which is kind of substantial.

Ms. Lawson explained that they have American Rescue Plan funds available to them. They had \$2.1 million and they used some of it for the stormwater last year instead of adopting a stormwater assessment. They used about \$972,000 on stormwater this year, so that leaves them with about \$1.1 million. These funds are available as revenue replacement and can be used as a revenue source in the General Fund for any government related purpose.

Mrs. Barton asked if there is a possibility that there are one (1) time expenditures that can be matched up against the one (1) time revenues.

Ms. Lawson replied that they took advantage of that a little bit. She explained that the City has an adopted Fund Balance Policy, which does not allow the use of one (1) time revenue sources for reoccurring expenditures, except for the glide path. They currently have an excess fund balance and they are allowed to use it on one (1) time capital expenditures.

Mr. Jones asked how much have they used from the total amount of the multiyear glide path.

Ms. Lawson explained that last year they used about \$500,000 of unused glide path money from the prior year. Per the Fund Balance Policy, the last year they can use excess fund balances for reoccurring expenditures is in FY 22/23. She said the Fund Balance Policy is a Resolution and it can be modified at City Council's discretion.

Mr. Kramer said he struggles with the question of where money is better held. Is it better with the taxpayers or in the City's hands. With the state of the economy the way it is, his opinion is that it would be nice to keep the taxes lower.

Mrs. Barton said she understands that a 5% salary increase has been decided, but she thought there was some discussion in the budget meeting that the Teamsters Union was asking for 10%. She

asked what employees are covered by the Teamsters Union and are they only getting the 5% increase.

Ms. Lawson explained that the Teamsters Union has two (2) units. They have the Blue Collar workers as well as the Clerical and Technical workers. The remainder of the non-union employees are covered by the Police Department's Union, which is the International Union of Police Associations (IUPA). She stated that the 5% increase is across the board for both union and non-union employees.

Mrs. Hanson asked if there is any further information on the tourist tax since the County Commissioners voted against considering any applications from municipalities.

Ms. Lawson explained that tourist tax dollars cannot be used for operating expenses, but it could be used for other capital projects in the Enterprise Funds.

Mr. John Turner, City Attorney, explained that the County adopted a policy that will not allow applications to be filed by municipalities. Indian River is the only County in the State of Florida that he is aware of to adopt this type of policy. They are exploring various avenues to address this restriction, because they think it is unfair and it has effected some projects that the City submitted applications for that clearly qualified for the use of tourist tax funds. They are addressing it and they are trying to get the County to change their policy.

Mr. Kramer asked if Sebastian and Fellsmere are having the same issue.

Mr. Turner replied yes.

Mr. Kramer said in order to get out of this completely it would take a Countywide vote to change it.

Mr. Turner stated that they can get out of their district by a referendum, which would take a majority of the vote. He explained that District 1 is the City of Vero Beach and District 2 is the rest of the County.

Mrs. Hanson said with the Water and Sewer Department, the City could transfer the funds that come from the properties that connect to the Septic Tank Effluent Pump (STEP) System. She said for each household that hooks up the revenue probably triples. She would like to see some revenue enhancements put into place.

Ms. Lawson said she agrees it would help, but keep in mind that they transfer 6% of the customer revenues from the Enterprise Funds. Right now, that totals over a million dollars so every 1% increase will only equal to about \$13,000. There would have to be a substantial increase in the revenue to make up \$775,000.

Mrs. Hanson said City Council will have to decide if they want to adjust the 6%.

Ms. Lawson replied that City Council did discuss that at their August 3rd workshop. If they increase the percentage it would have to go up quite a bit, but it is absolutely a policy they can change. She

said based on what she sees, 6% is on the low end of the range for governments who have utilities that make transfers to support their General Fund.

Mr. Kramer said since they have money they can spend for non-reoccurring expenses, it would make sense to put it towards the STEP system in the form of grants to encourage people to sign up for it.

Mrs. Hanson stated that incremental changes are important. She believed that the 6% will go up dramatically with the Marina expansion, because the revenue will go up substantially.

Ms. Lawson said City Council certainly does not have to stick with 6% for every Enterprise Fund. If the Marina does well there is nothing to say they could not increase the percentage coming from the Marina.

Mr. Kramer asked if the City's Department Directors calculate any type of return on their investment for things like the STEP System or on the money put into the Marina.

Ms. Lawson replied yes, they have talked about the various Marina projects and she uses a return on investment style calculations. Along with the additional revenue and the cost of the debt service, her financial analysis also includes the cost of depreciation for the Marina.

Mr. Jones commented that if the dry storage building and main docks pay off with a healthy economy, the City might be able to pull out more money to fund the General Fund.

Ms. Lawson said absolutely, it could be looked at more as a recreation function compared to water and sewer, which are utility services.

Mr. Jones stated that Phase 1 of the Marina project has a \$2 million General Fund injection to assure that the Marina can continue to make it through. He asked how confident are they that injections will not be needed for the future phases.

Ms. Lawson replied that the Five-Year CIP shows a budgeted injection for the future projects all lumped together.

C) Adoption of Stormwater Final Assessment Resolution for FY 22-23

Ms. Lawson reported that on July 19, 2022 the hearing for the final Stormwater Assessment Resolution was held. The City took all the proper steps leading up to this including mailing out notices to all affected property owners letting them know how many Equivalent Residential Units (ERUs) they would be paying for and how much each ERU would cost them. When they came to the final Assessment Resolution, the cost was \$75.17 per ERU. She explained that one (1) ERU is equivalent to a basic single family residential home. She continued by explaining how they figured the cost for commercial properties. She stated at the July 19, 2022 meeting, City Council decided to adopt the Stormwater Assessment Resolution at \$7.00 per ERU, which will generate about \$100,000. City Council chose to make up the rest of the cost for the coming year with American Rescue Plan funds. She clarified that they are not using the American Rescue Plan funds on stormwater. The American Rescue Plan funds are being used as a revenue replacement in the

General Fund and the money that is freed up is being transferred to the Stormwater Utility. She said the proposed budget for the Stormwater Utility is \$99,873 of revenue generated by the stormwater assessments and \$972,000 of transferred funds from the General Fund that were freed up by the American Rescue Plan money.

Mrs. Hanson asked if there is a time limit on using the American Rescue Plan money.

Ms. Lawson stated that it has to be used by December 31, 2024.

Mr. Jones asked if they have any expectations of additional funds of this nature.

Ms. Lawson replied no, that was a one-time deal.

Mr. Jones asked if they will be expanding their portfolio of projects with the stormwater to be able to show the taxpayers the types of projects they will benefit from.

Ms. Lawson explained that the Five-Year CIP for stormwater includes the Stormwater Utility Assessment Report. Right now, all of the projects listed in the report are for maintenance, replacing water pipes, sliplining, etc. City Council also approved the first part of the Stormwater Master Plan, which should be done in the spring of next year. It will focus more on what projects or opportunities might be available for water quality enhancements. When they get ready to start next year's budget they will have a better idea of what those projects might be. They will fold them into the budget appropriately and utilize the funding sources that are available. In the past, they have only spent about \$350,000 a year for these maintenance projects, but now there are \$1 million worth of them.

Mr. Kramer asked if anyone can petition the signing of the ERU value of their property.

Ms. Lawson replied that there is a petition process, but right now they are asking people to call them if they believe the City incorrectly calculated it. They will look at it and if there was a mistake they can make an adjustment. In the adopted policy there is the possibility of mitigation, but it is fairly substantial and is more for commercial properties.

5. CHAIRMAN'S MATTERS

None

6. MEMBER'S MATTERS

Mrs. Edwards stated she noticed that the revenues for the Community Center have gone down, but she realizes that was because of COVID. However, she feels that the price for renting the facility has gone up quite a bit and along with the outdated look it might be deterring people from renting it. She said occasionally, she does walking tours with groups of people downtown and she has to schedule to see the mural in the Community Center one (1) week in advance. She feels that the mural should be open more to the public and maybe even charge a fee to see the beautiful art work. She said her other issue is that she is concerned about how the trees have been trimmed this year. She knows it is done to save the utility lines during a storm, but they look awful when driving through town.

Ms. Lawson explained that the City has no control over the tree trimming around the utility lines. The City has received complaints and they have spoken with Florida Power and Light (FPL) about it, but it is out of the City's hands now. People are welcome to call FPL and voice their concerns. She stated that there are some capital projects in the Five-Year CIP for the Community Center. She will gladly work with Mr. Jim O'Connell, Recreation Director, to review the rates and simplifying them for the Community Center and the other rental facilities like they did for Leisure Square.

7. ADJOURNMENT

Today's meeting adjourned at 10:35 a.m.

/rc

Airline Requirement -Reso 2020-16 Attachment A - Effective 10/1/23

Annual	\$ 72,729.00
Monthly	6,060.75
Monthly Maximum Permitted Carrier Share @ 35%	2,121.26

ESTIMATED MONTHLY FEES & CHARGES - BREEZE AIRLINES (as permitted carrier)
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Reso 2020-16					
Section	Description	Rate	Unit	Qty	Monthly Charges
Terminal Rental Fees and Charges					
7.1.1	Common Use Charge	\$ 2,121.26	per month	1	\$ 2,121.26
7.1.2	Ticket Counter	750.00	ea	2	1,500.00
	Florida Sales & Use Tax	7.0%			148.49
			<i>Subtotal Terminal Rental Fees</i>		<u>3,769.75</u>
Other Fees and Charges					
8.1.3	ARFF Requirements	250.00	per flight	40	10,000.00
8.1.3	Security Program Administrative Personnel	2,885.00	per month	1	2,885.00
			<i>Subtotal Other Fees & Charges</i>		<u>12,885.00</u>
TOTAL ALL ESTIMATED MONTHLY RENTALS, FEES & CHARGES					\$ <u>16,654.75</u>

Section 6.1 - Drawing Account Deposit Required - 3 x Estimated Monthly Rentals, Fees and Charges	\$ 49,964.24
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