City of Lauderhill

City Hall
5581 W. Oakland Park Blvd.
Lauderhill, FL, 33313
www.lauderhill-fl.gov

Meeting Minutes - Draft

Monday, March 25, 2019

6:00 PM

City Commission Chambers

<u>Special City Commission Meeting</u>

LAUDERHILL CITY COMMISSION

Mayor Ken Thurston
Vice Mayor M. Margaret Bates
Commissioner Howard Berger
Commissioner Richard Campbell
Commissioner Denise D. Grant

Charles Faranda, City Manager
Andrea M. Anderson, City Clerk
Earl Hall, City Attorney

I CALL TO ORDER

Mayor Thurston called to order the Special City Commission Meeting at 6:01 PM.

II ROLL CALL

Present: 5 - Commissioner Howard Berger,Commissioner Richard Campbell,Commissioner Denise D. Grant,Vice Mayor Margaret Bates, and Mayor Ken Thurston

ALSO PRESENT:

Charles Faranda, City Manager
Earl Hall, City Attorney
Constance Stanley, Police Chief
Marc Celetti, Fire Chief
Andrea M. Anderson, City Clerk

III THIS WILL BE A LIMITED AGENDA MEETING. THE ONLY ITEM TO BE DISCUSSED WILL BE:

1. AUDIT PRESENTATION (REQUESTED BY CITY MANAGER CHARLES FARANDA).

Assistant City Manager/Finance Director Kennie Hobbs briefly reviewed the backup on the City's financial conditions, noting the auditors would present a report on the City's financial statements and financial position, as indicated by the City's Comprehensive Annual Financial Report (CAFR.) After the auditors' presentation, he would speak about the financial indicators. He highlighted the following:

•As of February 28, 2019, approximately 41 percent of the current budget year elapsed
•Staff projected there would be either a steady or a slight increase in the City's fund balance or retained earnings, as in previous years.

Shaun Davis, managing partner of S. Davis & Associates, said the presentation would be a financial overview as of September 30, 2018, thanking City staff for doing a tremendous job working with his staff over the past years to get the City's financial statements ready, so they yielded the best qualified opinion possible.

Kevin Adderley, senior manager of S. Davis & Associates, gave a PowerPoint presentation on the City's Comprehensive Annual Financial Report (CAFR), as provided in the backup, stating, highlighting the following:

•The scope of their work was to perform the audit pursuant to generally accepted auditing standards and government auditing standards; their audit engagement included a review of internal controls over the City's cash receipts, disbursements, payroll, and grants management transactions systems; the engagement included a federal single audit pursuant to the uniform guidance
•The City had two federally funded programs that were a part of the compliance testing for Fiscal Year (FY) 2018; one was the Community Development Block Grant (CDBG) program with expenditures of approximately $298,000.00, and the Federal Highway Local Agency program with expenditures of about $271,000.00, and total federal expenditures of about $1,026,000.00
•Significant audit results for FY 2018 rendered an opinion on the financial statements and the compliance report as an unmodified opinion; that is, a clean opinion. The financial

statements were found to be fairly stated, and on the two federal programs no matters of noncompliance came to their attention
•For FY 2018, the City was required to implement government accounting standard number 75, which gave guidance as to the accounting for other post employee/employer benefits. The City provided healthcare benefits to certain retirees and, as such, the new accounting standards required cities to report a liability, as determined by an actuary, for the type of benefit provided to retirees; this led to the need to restate the City's financial net position as of September 30, 2017, as there was a decrease in the net position of about $3,038,000.00; net position was the equity position of the City.

Mayor Thurston asked if the restating of the City's net position to pay healthcare costs was based upon how long a period.

Mr. Adderley responded that it was an actuarially determined liability of a long-term nature, though it was not a liability that would be liquidated within one year after the fiscal year, rather, it would be several years out into the future.

Mayor Thurston questioned if the figure was calculated based upon the life expectancy of the retiree.

Mr. Hobbs replied as of a certain date, as staff worked with the actuary who then provided the costs associated with all the retirement benefits as mentioned earlier, and they use a variety of estimates as of a date and provide the City with a figure. The actuary updated the City's number every other year, but the estimated projection was until the anticipated mortality of the retiree with numerous variables taken into consideration.

Mr. Adderley resumed his presentation, mentioning that the financial highlights regarding restricted cash, total cash, total assets, total liabilities, all yielding a net position of the City as of September 30, 2018, of $46,781,000.00.

•The unassigned fund balance was $6,619,000.00, which consisted of resources available to liquidate obligations of the City; the City had a fund balance policy of ten to 15 percent of the budgeted operating expenditures; as of September 30, 2018, it was 11 percent

Mr. Davis explained Mr. Adderley was giving the Commission the highlights of the CAFR document provided in the backup.

Mr. Adderley resumed his presentation.

Mr. Hobbs pointed out the Home Grant Fund had a negative fund balance, as it was a reimbursement grant, so the City laid out the cash first, then waited to be reimbursed by the County. At the end of FY 2018, the City already made payments on behalf of the grant funding, but the County had not yet reimbursed the City. The same thing applied to the Natural Disaster Fund, but that was tied to FEMA and the State; the City spent $4.5 million due on the last hurricane, and the City was working through the process with FEMA to seek reimbursement, which was anticipated to be about 75 to 90 percent of the funds spent by the City. Mr. Hobbs commented, regarding the Fire Protection Fund, years prior the Commission decided to fund the Fire Fund at 100 percent, though there were some discounts given to certain individuals that led to the building of a deficit over time. However, just over the last two plus years, the City funded at 100 percent, with some discounts removed, and there was additional money built into the budget to reduce the initial deficit over time, the plan being to have eliminate the associated deficit in ten years. The Community Redevelopment Agency (CRA) led to the City acquiring a number *of properties that were later given to the Lauderhill Housing Authority (LHA), and in time, that deficit would be reduced. He noted, currently, the CRA had a positive cash flow, and the eastern and central CRAs were slated to build ten single-family homes in the current fiscal year and, going forward, another 15 or 20 single-family homes behind Tree Gardens. This would reduce the deficit in the near future.*

Mr. Adderley resumed his presentation:

•The Pension liability and plan fiduciary net position consisted of the investments, assets, available to pay liabilities as they became due; the percentages depicted the ratio of the plans assets available to liquidate pension liabilities, and over time, that percentage would increase as the liability decreases, and the plans' assets would grow over time.

Mr. Hobbs noted, as the Commission was aware that over the last four or five budget years, staff made adjustments, either through collective bargaining or through the non-bargaining units to the Pension Plan. Staff had items seeking approval on the ensuing City Commission meeting to add two more tiers to the Pension Plan for the purpose of saving the City money going forward, and the funding ratio would continue to increase, as it had been doing over the last four or five years. He mentioned, previously, the tiers created only affected new and future employees, but the changes made negotiating with fire, managerial and general employees' pension plans resulted in benefit adjustments for current employees.

Commissioner Campbell wished to know what motivated staff to make adjustments.

Mr. Hobbs replied in order to ensure the City had a sustainable Pension Plan, as staff realized some of the benefits being offered were not sustainable; that is, the cost to carry them was increasing at a rate faster than staff anticipated the City being able to continue funding. The City Manager directed staff to take proactive measures to reel some of those costs in. He indicated, recently, when the City went through its bond rating, Moody's applauded the City for the work they did with the pension funds, urging City staff to take steps to move faster by making changes that affected current employees. The proposed changes would move the City faster towards what Moody's considered an acceptable pension liability.

Commissioner Campbell sought clarification on the adjustments made.

Mr. Hobbs responded the adjustments were made in a variety of areas: increased vesting years, increase in the age of retirement, and benefit amounts.

Commissioner Campbell asked about the employee categories of general staff versus managerial staff, questioning if the adjustments were done in a way that would not compromise one group over another.

Mr. Hobbs answered no, the adjustments would not compromise the City's pension plans, as they remained quite competitive compared to those of other cities.

City Manager Faranda added staff tried to apply the same rationale and formulas across the board; for example, the multiplier was reduced for management all the way down to the general employees' plans.

Commissioner Campbell wondered if affected staff members were aware of the adjustments and their impact.

Mr. Hobbs affirmed staff was made aware of the adjustments and their effect; he presented at four of the five meetings held with staff at City Hall, parks, Public Works, Utilities, etc. For the bargaining units, the adjustments were discussed as well. He went on to discuss the City's financial condition, known as financial indicators:

•For FY 2018, the City had an overall rating of favorable: 12 favorable, four unfavorable, and ten inconclusives for 2018
•There were 26 indicators, and the first two were known as the critical indicators, and they were tied to the change in the City's net position, the unassigned fund balance, and the City received a favorable rating for both
•The four unfavorable indicators were: 1) number seven, tied to long-term debt over population; the City issued a general obligation (GO) bond of $45 million in the last fiscal year that directly impacted that indicator; the City's population had not grown by much, but when issuing the GO bond, it was understood that it would have some type of impact on the City's financial indicators; as those assets came online, the financial indicators would increase in value in other areas
•2) Number eight, excess revenues over total expenditures tied to additional expenditures related to hurricanes and the abovementioned FEMA reimbursement.

Vice Mayor Bates questioned how long staff expected it to take to correct itself.

Mr. Hobbs replied staff was working with FEMA, and they were in the review stage; they gathered all the information and presented it to FEMA, noting the last time the City was seriously hit by a hurricane, it took up to ten years for the City to receive reimbursement. When the GO bond was issued, there was a large influx of cash, and it had a very positive impact on the City's financial indicators; the bond cash decreased as projects were completed, and many financial indicators were tied to cash. He continued:

•3) Number 13 was tied to the GO Bond debt, as there were now new interest and principle payments, debt service amounts increased relative to the City's total expenditure amount, but this was anticipated when GO bond was issued
•4) Number 14 was tied to the City's total expenditures over population; the City's population had not increased at the same rate as expenditures, but there were some things to which a change would be seen upon the completion of various projects: the development of the Cricket Club, as its completion and occupancy would increase the City's population; the Le Parc population scheduled to be built behind Lallos would impact the City's population, and they would be included on the 2020 Census
•Financial Indicator 2 detailed unassigned fund balance; over a five-year period, this increased 76 percent from 2014 to 2018
•Financial Indicator 4, the Governmental Fund and General Fund, one showed inconclusive, one showed favorable, and they were both tied to cash; they would level out as the City continued to spend down the GO Bond funds, as the City got back to its normal spending habits
•Financial Indicator 4P related to the City's proprietary funds and also tied to cash; the City was making capital improvements of a water and sewer nature; this was the largest expenditure related to the City's Enterprise Fund, and the settlement of the lawsuit related to the Lauderhill Performing Arts Center (LPAC)
•The City's current cash balances: the General Fund went from $8.5 million to $7.6 million.

Mayor Thurston wished to know how City staff determined the value of the wall recently installed along Inverrary Boulevard.

Mr. Hobbs replied the value of the wall was the total of all costs required to bring the asset into service. He thanked Mr. Davis and his team for working with City staff, noting the City maintained an excellent relationship with them over the last several years, as they were excellent in communicating with the City Manager and him on any issues or potential issues, working together to resolve them before the end of the audit.

IV COMMUNICATIONS FROM PUBLIC OFFICIALS

V ADJOURNMENT - 6:33 PM