

City of Lauderdale

Attend via Computer: <https://www.colvcm.com>

City Commission Chambers at City Hall
5581 W. Oakland Park Blvd.



Meeting Minutes - Draft

Monday, March 29, 2021

6:15 PM

Attend via phone: Dial 1-312-626-6799 & Meeting ID: 912 5731
0688

Special City Commission Meeting

LAUDERHILL CITY COMMISSION

*Mayor Ken Thurston
Vice Mayor Denise D. Grant
Commissioner Melissa P. Dunn
Commissioner Lawrence Martin
Commissioner Sarai Martin*

*Desorae Giles-Smith, 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 6:15 PM.

II ROLL CALL

Present: 4 - Commissioner Melissa P. Dunn, Commissioner Lawrence Martin, Commissioner Sarai Martin, and Mayor Ken Thurston
Absent: 1 - Vice Mayor Denise D. Grant

ALSO PRESENT:

Desorae Giles-Smith, City Manager
Earl Hall, City Attorney
Constance Stanley, Police 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 DESORAE GILES-SMITH).

Deputy City Manager/Finance Director Kennie Hobbs began the audit presentation for Fiscal Year (FY) ending 2020 audit, noting the following:

- This would be the presentation of the City's Comprehensive Annual Financial Report (CAFR) for FY 2020 ending September 30, 2020
- Tanya Davis of S Davis & Associates and her team were thanked for working with City staff to conduct and complete the audit
- The items for discussion would include the City's financial condition, the auditor's report, the presentation of the financial statement positions, and the financial indicators required for submission to the State of Florida
- The City's current financial position since FY 2020 ended on September 30, 2020; 41.67 percent of the current fiscal year was completed, and there was a total General Fund approved budget of \$69,819,000.00
- The City collected, year-to-date, \$39,981,000.00 or 57 percent of budgeted revenue
- The City expended \$29.637 million or 46.66 percent of budgeted expenditures
- The City had \$2.9 million encumbered, representing 4.21 percent of budgeted expenditures; encumbrances were funds for which the City had purchase orders issued, but the monies were not necessarily spent; for example, there were contracted services, such as elevator services, with an associated monthly cost for repairs, and the City encumbered the full amount for the fiscal year, but it was charged on a monthly basis
- The enterprise fund was made up of revenue/expenditures from City water, sewer, storm water funds, as well as the Lauderhill Performing Arts Center (LPAC) fund; there was a total approved budget of \$38.913 million; of that, the City collected \$14.498 million of budgeted revenue or 37.26 percent; \$10.266 million or 39.1 percent had been expended
- Based on staff's projections, the City was on pace to meet expected revenues

and expenditures

- Some revenues were coming in less than expected, for example: Emergency Medical Services (EMS) revenue was tied to the number of trips residents made to the hospital; at the beginning of the COVID 19 pandemic, individuals were not being admitted to hospitals unless they were critically ill; even though the City had a reduction in the current fiscal year of \$2 million, based on the year-to-date and projections through the end of the fiscal year, staff anticipated that revenue to be short by an additional \$1 million
- Cash on hand: The City had \$67.713 million, including all cash; the one million mentioned above had to do with EMS revenue, but there were expenditures due to the pandemic to the tune of \$2.6 million
- The American Rescue Plan Act was recently approved by the federal government in FY 2021, and the City expected to receive in excess of \$18 million; in April, the City would make a presentation to the Commission on the proposed usage of these funds, as staff preferred not to bring anything to the Commission until the City had its first draw in hand; staff was advised within 60 days of the plan passing, which was March 11, 2021, the City should have the first half of the \$18 million in hand; the second half would follow in one year from the distribution of the first draw; based on when the plan passed, staff anticipated the City getting funds in hand by May 11, 2021
- The presentation on the usage of those funds over the next three years would be made in April 2021; the expenditure of the funds was through 2024, so the plan was not to spend all of the funds during FY 2021, rather to draft a plan to allow for the use of the funds over the next three fiscal years.

Tanya Davis, auditor with S Davis & Associates, PA, and her team, Claudia Estrada, the City's audit manager, and Marie Philippe, the senior in charge of the City's audit for the past few years, presented the audit results indicated in the City's Fiscal Year (FY) 2020 Comprehensive Annual Financial Report (CAFR), along with a financial overview; they highlighted the following:

- City staff, particularly in the Finance Department, were thanked for their help throughout the audit process, as it made for a very smooth audit with the provision of audit documentation as requested, and answering all the auditors' inquiries and requests in a very timely manner
- Due to the pandemic, for both this year and last, they performed at least a portion of the audit remotely, and the City's Finance staff adjusted accordingly to ensure the auditors received the documents they needed to complete the audit
- The audit was performed, pursuant to generally accepted auditing standards (GAAS), government auditing standards, and in accordance with the rules of the Florida's Auditor General; in so doing, they considered internal control over financial reporting, and compliance with laws and regulations
- The auditors would issue an unmodified opinion on the audit of the City's financial statements; a draft of the CAFR was included in the backup, and the auditors did not expect any significant changes that would affect the unmodified opinion rendered; an unmodified opinion was the best opinion to receive, as it stated the City's financial statements presented in the CAFR were not materially misstated
- The auditors would issue an unmodified opinion on the City's compliance with requirements of major federal programs tested, and the related schedule of expenditures of federal awards that listed all the City's grants agreements
- The auditors were still in the process of completing the single audit, but, to date,

they noted no significant deficiencies in internal control, and no matters of noncompliance with laws, regulations, or grant agreements

- The single audit was delayed, pending confirmation from Broward County on how to report and present the Coronavirus Aid, Relief and Economic Security (CARES) funding from the County to the City; the auditors received the confirmation from the County the past Friday evening, so they would move forward with completing the City's single audit
- Some financial highlights from the CAFR included: Page 26, highlights from the entity-wide or government-wide perspective, as it presented financial results in a similar fashion to a commercial entity, including the City's long-term assets and liabilities; cash and investments at September 30, 2020, totaled approximately \$51,133,000.00; restricted cash, and equity in pooled cash at the state level of approximately \$2,255,000.00; total cash, \$534,387,000.00; total assets, total liabilities, and total net position did not fluctuate significantly from prior year to FY 2020, with the largest percentage in fluctuation in total liabilities and total net pension; those fluctuated approximately three percent; total assets \$282,761,000.00; total liabilities \$224,861,000.00; total net position, the City's equity position, was about \$64,000,000.00 at September 30, 2020
- The General Fund: information similar to when the City's Finance Department presented information to the Commission pre-audit; the General Fund information did not include long-term liabilities and assets for the most part; Page 28 showed the highlights: a total fund balance in the General Fund of \$17,948,000.00; the unassigned portion was \$6,088,000.00; the City had a fund balance policy of ten to 15 percent, and in FY 2020, it was ten to 15 percent of operating expenditures; revenues and expenditures on page 30, and the City showed revenues of \$64,883,000.00, and expenditures of \$56,787,000.00; debt service transfers of \$7.6 million, and a positive change in fund balance of \$739,000.00.

Commissioner L. Martin wished to confirm the unassigned fund balance used to cover emergency expenses, usually at 15 percent, was now at 8.72.

Mr. Hobbs replied the 8.72 reflected the impact of the pandemic as of September 30, 2020, as well as other post-employment benefits (OPEB) that increased and caused the City to reserve more dollars, as shown on page 28, and this was due to the City's liability increasing. The impact of the pandemic and OPEB cut off at September 30, 2020, for FY 2020, and were it not for the CARES Act, there would be a similar reduction in FY 2021. He had no wish for the Commission to think the effect was due to retirements and pension, as that amount was minimal compared to the loss of revenue due to the pandemic; the largest impact had to do with revenue the City failed to receive due to the effects of the pandemic, and added to which was the expenditures that increased due to the pandemic. The impact was not due to an actual outlay, rather it was a reallocation of fund balance; that is, the \$3 million shown was previously \$1 million plus, and it was all still part of fund balance, with the latter showing an increase of 17.9, but the unassigned fund balance that should be between ten and 15 percent decreased.

Ms. Davis commented it was a positive that, despite the instances mentioned by Mr. Hobbs, the City still had a positive change in fund balance of \$739,000.00. She continued the presentation:

- Enterprise funds on page 32 reflected a total net position of \$86,484,000.00,

including the City's storm water, water, sewer, and LPAC; unrestricted net position was \$37,678,000.00; revenues and expenses on page 33, showed operating revenues of \$32,245,000.00, operating expenditures of \$28,358,000.00; the bulk of the expenses and revenues were related the water and sewer fund, interest expense of \$809,000.00, and a positive change in net position of \$4.9 million

- From an equity or net position fund balance standpoint, entity-wide, the City's net position increased every year, showing a net position in 2018 of approximately \$47 million, and increasing each year to approximately \$64 million at the end of FY 2020; unrestricted net position showed deficits primarily related to accounting standards regarding OPEB and pension-type related standards that were required in previous years; the unrestricted net position in FY 2018 was \$27 million, and it was \$10 million in FY 2020, so even though it still showed a deficit, it was a positive fluctuation

- General Fund fund balance on page 28 increased every year from \$17 million to just shy of \$18 million, with the unassigned portion remaining steady with no major fluctuations; \$6.6 million in FY 2018, \$7.5 million in FY 2019, and down slightly to \$6.1 million in FY 2020

- Enterprise Fund positions increased gradually from \$76 million in FY 2018 to \$86 million in FY 2020; unrestricted net position increased from \$32 million in 2018 to \$38 million in 2020.

Mr. Hobbs reiterated the City's total fund balance increased each year, so this meant the City was spent less than it collected. The unassigned amount reduced between FY 2019 and FY 2020, as despite the total fund balance increasing, there were occurrences that, as shown on page 28, led to the City having to increase its assigned and restricted fund balance. For example, the City assigned \$1.49 million for natural disasters to address in the short term those concerns until federal grant funding kicked in; \$1.186 million was set aside for debt service, creating sinking funds to give the City the ability to pay off debt early, and this reduced the City's total expenditures and make other reductions in coming years. For employee pensions, \$1.1 million was reserved, as with pensions when investments were going well, the City's contribution reduced, but when benefits increased, the cost went up, so City staff created the ability for the City to smooth over unexpected increases rather than having to charge an additional tax to cover unexpected costs.

Commissioner L. Martin wished to know if when the City put away money in anticipation of emergencies, etc., at what point in the municipal accounting process were those funds returned in house, or the City did not have to compensate for those funds in the following fiscal year.

Mr. Hobbs responded unspent monies put away for emergencies was set aside; the amounts were not increased above a set figure, and the City's financial records would show that consistency, unless there was a need to increase the amount. For example, going back ten or 15 years ago, those reserves did not exist, but the hurricane that demolished old City Hall led to the City having to secure bank loans, etc. to address that need. He mentioned in 2021, the City had an actuarial study done on its post-retirement benefits, and changes were made to the assumption, hence the increase by \$2 million. The City never wanted to overtax itself or put too much money aside, but staff made adjustments up and down based on the current environment.

Ms. Davis noted the entity-wide, unrestricted net position in almost every municipality suffered a significant impact when the new Governmental Accounting Standards Board (GASB) financial statement accounting practices standards took effect. Many municipalities were finding that their fund balances, particularly unassigned fund balance, suffered some decrease in the current year in comparison to prior years, due mainly to the pandemic and its effect on revenues and expenses. She resumed the audit presentation:

- Deficit fund balances: The Community Redevelopment Agency (CRA) recognized a deficit in fund balance of \$1.2 million for FY 2020, primarily due to the demolition of buildings; in the prior year there was a positive fund balance of \$51,000.00; the Fire Protection Fund reflected a deficit fund balance of \$7.7 million primarily due to the construction and renovation; Natural Disaster Fund was new and included the CARES and pandemic-related information, along with hurricanes, and items typically reimbursed by the Federal Emergency Management Agency (FEMA), the State, or the County; the HOME grant fund had a deficit of \$6,000.00
- OPEB: in FY 2019, it was \$4.5 million, and \$22 million in FY 2020; this was primarily due to actuarial assumptions; the election rate at retirement went from ten percent to 55 percent; net pension liability, however, dropped from \$47 million to \$45 million.

Mr. Hobbs restated the increase shown on page 26 had primarily to do with the increase in the election rate; a study was done periodically to determine how many people remained on City health insurance after retirement. It was assumed ten percent of employees would remain, but after the study was done, the analysis showed the actual number as 55 percent, and this caused an increase in the projected cost going forward, and a reduction in the discount rate. He indicated the value use to determine these costs, going forward, went 4.18 percent, meaning what the assets would return, to 2.21 percent; these few occurrences caused the major change, including the additional close to \$2.2 million the City was reserving as part of fund balance.

Ms. Davis resumed the presentation:

- Total pension liability in the City's net position for FY 2020; for general employees retirement was \$2.4 million; for firefighters it was \$10.9 million; for police retirement \$16.9 million; confidential and managerial was \$14 million; below the respective percentages of fiduciary net position as a percentage of the total pension liability: general employees 92.52 percent, firefighters 89.87 percent, police 81.93 percent, confidential and managerial 72.13 percent.

Mr. Hobbs continued the presentation:

- The City's Financial Condition Assessment (FCA), along with the single audit was sent to the State to the Auditor General, and it reflected the City's financial position based on the performance of 26 assessments; the City showed a historical trend from FY 2016 to FY 2020; for FY 2020, the City had 11 favorable, four unfavorable, 11 inconclusive, for an overall rating of favorable; some of the favorable and unfavorable turned into inconclusive due to pandemic-related impacts, and cash relating to capital projects
- Critical Indicators: there were four critical indicators the State looked at to

determine if a government/municipality was heading toward a financial emergency; the first indicator was the unassigned fund balance and unassigned net position, considering the trend analysis and how the municipality compared to their peers; from a trend perspective, the City was considered favorable; from a benchmark perspective, the City was inconclusive; from a net position, the City was considered favorable; the City's cash and investments over current liabilities, from a trend perspective, the City had a favorable assessment, from a benchmark compared to peers, it was inconclusive; the next critical indicator was the General Fund, and this was all of the City's governmental funds, including capital projects, the General Fund, the Debt Service Fund, encompassing all governmental-type activities; indicator 4G represented the General Fund covered police, fire, general administration, the Commission, finance, parks and recreation, etc.; from a trend analysis, the City had a favorable assessment, as well as favorable when compared to peers; the last critical indicator looked at proprietary funds, enterprise-type funds, water, sewer, storm water, and the LPAC, the City had a favorable position from both the trend analysis, inconclusive from a benchmark analysis, and an overall favorable rating

- Once the single audit was completed, the Commission would receive that document, including all data on the critical financial indicators.

Commissioner L. Martin questioned if some of the inconclusives were related to the new territory the City encountered due to the pandemic.

Mr. Hobbs answered right. Regarding an inconclusive rating, if there was a single year or trend of a downturn, it was inconclusive, as the State was saying they did not know if the result was due to the COVID 19 pandemic or the municipality was really in a bad position; more of a trend line was needed. The State provided specific calculations to be used to establish a rating; for an unfavorable rating, they tend to look for more conclusive evidence, and the two occurrences that impacted the City's financial indicators was the COVID 19 pandemic, as well as the capital projects, due to a reduction in cash. When the City secured the \$45 million general obligation (GO) bond, staff knew the City would be spending the cash, but though the cash decreased and impacted what the State considered the City's financial health, the City's facilities improved, and the City still had over \$68 million.

Commissioner S. Martin asked, as taxes and the budget was one of the major areas to which the Commission paid attention, was it possible to receive the presentation more than five minutes before the vote, or receiving the CAFR two or three days before the to vote. Thus, was there a better way to present these reports at least 30 days early to the Commission.

Ms. Davis explained, historically, the subject presentation took place in February, and only in 2020 and 2021 was it done later, and the primary reason was the COVID 19 pandemic. Auditors, in general, were finding conducting the audit remotely lengthened the process, but they did not expect a repeat of the delays in subsequent fiscal years. Prior to the pandemic, the auditors usually submitted their reports with sufficient time to meet individually with each member of the Commission, before the formal presentation to the Commission for a vote.

Commissioner S. Martin asked if the Government Finance Officers Association (GFOA) showed any leniency to governmental entities turning in their audit reports

on the pre-COVID guidelines.

Mr. Hobbs noted, for the subject presentation being made, whether the Commission decided to approve or deny at the time of its vote, the numbers remained the same. Until five or six years ago, the Commission never voted on the CAFR, staff only gave a presentation; the Commission began voting to accept the CAFR, so the City had a record it was presented, and the Commission approved it; regarding the GFOA, staff did submit a request for an extension and had yet to receive a response. The financial information Ms. Davis mentioned was related to the City's single audit, and that was not in the CAFR; the single audit was a separate document that would be coming before the Commissioner at a later time. The numbers in the CAFR were the final numbers, and they would not change. He restated when the single audit was completed, it would be reported to the State.

City Manager Giles-Smith assured the Commission future audit presentations would be made to the Commission at least 30 days before a vote was expected from them.

IV ADJOURNMENT - 7:03 PM