MIRAMAR
BEAUTY AND PROGRESS
EST 1955

MINUTES OF THE CITY OF MIRAMAR COMMISSION WORKSHOP

November 13, 2019 5:00 P.M.

A Workshop of the Miramar City Commission to discuss Financial Focus was called to order by Mayor Messam at 5:11 p.m. in the Commission Chambers, Town Center, 2300 Civic Center Place, Miramar, Florida.

Upon call of the roll, the following members of the City Commission were present:

Mayor Wayne M. Messam
Vice Mayor Alexandra P. Davis
Commissioner Winston F. Barnes
Commissioner Maxwell B. Chambers (Late 5:18 p.m.)
Commissioner Yvette Colbourne

The following members of staff were present:

City Manager Vernon E. Hargray
City Attorney Michelle Pamies
City Attorney Norman Powell
City Clerk Denise A. Gibbs

CITY MANAGER HARGRAY: Good afternoon, Mayor, Vice Mayor, Commissioners. It gives me pleasure for us to come back a year from now to talk about where do we go next. At this time, this is Shaun Gayle, our Assistant City Manager will introduce and prepare the Commission with our report, as to where we're going. Thank you.

Assistant City Manager Shaun Gayle gave a PowerPoint presentation on Financial Focus, as noted in the backup, highlighting the following:

- The continued success of Miramar was determined by the plans, vision and execution of strategic objectives of the City's leadership, requiring and thriving on the formulation of a sound business plan, tactical partnerships, and collaboration with businesses, investors, educational institutions, and residents to foster smart business goals that created opportunities to enhance business attraction, retention and growth

- The philosophy gave rise to several major projects, including: Historic Miramar Innovation & Technology Village, a hub for arts, workforce and entertainment, and provide a model for corporate housing, education and technology opportunities, transportation options not currently available in that area; it included opportunity zones that would aid in the revitalization of portions of the historic side through federal grants that allowed for substantial deferral of capital gains taxes to investors that would reinvest those gains in qualified zones; the transit oriented corridor (TOC) that provided a framework for redevelopment of the State Road 7 corridor into a mixed use, pedestrian friendly area in close proximity to public transit; ongoing marketing efforts through economic and business activity to attract and retain businesses, and forge strong business partnerships; ongoing construction, as the City headed towards build out, and other necessary redevelopment activities in areas that were already built out
- The workshop would focus on the long-term sustainability of the City, outlining the framework on which the City's business plan was founded
- The presentation provided a five-year look ahead, creating a road map, cementing the philosophy for immediate and future financial activities, such as debt management, collective bargaining, pension reform and other post-employment activities, policy development, personnel management, and care activities, providing efficiencies to increase revenues and decrease expenditures
- The Financial Focus workshop was intended to be an annual event that would build, systematically, on the foundation and develop projections for the future in five-year increments; this strategy would provide precise guidance and direction for City staff, driving the development of financial and operational policies and procedures to create a stable environment and a viable future.

Director of Management & Budget Norman Mason continued the presentation, highlighting the following, as detailed in the backup. He reviewed variables affecting the City from a macroeconomic point of view, including gross domestic product (GDP), unemployment, inflation, borrowing rates that affected property valuations and loan activity in real estate; and from a microeconomic point of view, the City of Miramar and its property valuation history. He noted there could be a recession in the future, a correction or a downturn, but it would not be as devastating to the City's revenue as it was in the last recession, as there was no mortgage crisis, rather there were high quality mortgages for the most part now. The GDP was stable, unemployment was the lowest it had been in 18 years, inflation was below two percent, so there was no macroeconomic leader that could bring the country into a recession, and the Fed's fund rate was stable, and better managed, and this brought stability to the stock market.

Peter Napoli, Stantec Consulting Services, stated the City hired their firm to perform a five-year projection of the City's General Fund, in which they provided an estimated projection of the City's unrestricted reserve balance. They provided an update of their financial projection for the City with new financial data, updated assumptions they reviewed with the City's Management & Budget staff, and he wished to present the results of the updated analysis, as illustrated in the backup, highlighting the following:

- They looked at revenues versus expenses; it appeared the City's revenues were not growing as fast as its expenses, and after the current fiscal year, they projecting a cash flow deficit that would increase with each year of the next five-year projection period
- The unrestricted reserve balance within the City's General Fund was currently held at around $40 million, which was well above the reserve target for the City; in each year of the project period, the reserve balance would be drawn upon in order to cover the cash flow deficit; by Fiscal Year (FY) 2024, they projected the City would have almost no reserve balance left
- Part of the solution would be for the City to reduce its recurring operating expenditures across the line by $2.5 million in FY 2021; in FY 2022, they would be reduced by another $2.5 million, totaling $5 million off the books, and recurring throughout the rest of the projection period
- To address the issue of the expenses growing faster than revenues, one potential solution included freezing salaries in FY 2022, and bring back the increases gradually with a one-percent increase in 2023, and a three percent increase in 2024, etc.
- The above solutions, if adopted, would result in a healthy forecast for the next five years, where expense growth would be managed, and the reserve balance at the end of FY 2024 would be above the target line
- The abovementioned actions would not be taken until FY 2021
- The salary solutions were complex, as they involved more than plugging in numbers, as there was collective bargaining, and other factors
- Their firm would be asked to come back to the City on a yearly basis to update the financial projection for the City with any new variable and/or assumptions
- They would make sure the City's financial plan was stable.

Mr. Mason looked at debt management and the factors involved, as detailed in the backup. The City had no general obligation (GO) bonds, so it was not diversified in that sense; other cities in the same position included Parkland and Southwest Ranches, and Miramar's General Fund debt was $13 million. In the future, any tranches of debt $25 million or greater, as the City's Budget Director recommended going out to GO bonds to see if it was receptive. He said a positive in Miramar was that its administration addressed the City's infrastructure: police station, fire station, etc.

Chief Financial Officer Susan Gooding-Liburd continued the presentation, describing some of the strategies staff was employing to help offset a correction, a declining economy, or even a recession, as detailed in the backup. She highlighted the following:

- In the City's planning session held in 2018 the major concerns were: long term debt, pension liability, other post-employment benefits, fund balance, and the need to explore other opportunities for revenues that did not involve ad valorem taxes

- Look at GO bond options if the City decided to go out for any major loan
- Two recommendations were brought forth in 2018 regarding pension liability and the associated rising cost, as well as post-employment benefit; she was pleased to say the Commission listened and approved, and staff implemented the two policies to the tune of $2.1 million; $500,000.00 would go into other post-employment benefits, and $1.6 million to the pension liability
- It was key in planning for the future for the City to either maintain or add to its fund balance; the fund balance policies currently in effect were: the stabilization policies established as best practices by the Government Finance Officer Association (GFOA); an emergency policy was implemented in 2016 to address the increased evidence of yearly hurricanes; two new policies were enacted in 2019 by the Commission based on staff's recommendation
- Continued to look at the City's capital improvement projects annually, with priority projects placed at the top of the list and approved each year by the Commission
- Annual review of the City's Fleet Management Plan annually with improvements budgeted for each fiscal year
- Challenges that came to the forefront every year with continuously rising costs included: public safety, collective bargaining demands requiring ongoing communication with the City's union, and healthcare
- FY 2019 highlights included: review utility bills to ensure the correct rates were being charged, an energy policy was implemented to examine the City's performance energy management with a goal of reducing energy costs by ten percent each year to a reasonable amount; changing out streetlights and with LEDs; the implementation of conservation practices, including exploring the purchase of energy efficient vehicles; eliminate the use of plastic and Styrofoam from any uses within the City; implement the hibernation of the City's computers and recycling ink cartridges
- For the future, City staff considered the establishment of reserves to enhance the funding of utilities, health and risk; and the Comprehensive Assessment of Revenues & Expenses (C.A.R.E.) program
- In 2018, the City Manager challenged staff to seek revenue opportunities for the City other than from taxes, and the results of that initiative included: allowing digital billboard signs in FY 2019 saw the City signing an agreement for $36 million over a 20-year period; bus shelters and benches for five years with a minimum anticipated revenue of $377,000.00 without advertising; the City was awarded a number of grants for FY 2019 that would take effect in the FY 2020 budget to the tune of $300,000.00, and staff continued to explore other grant opportunities; the increase in the interest rates the banks were giving allowed the City to generate additional revenue of close to $720,000.00; the City's enhanced its purchasing card from $2 million in prior years to $8 million in FY 2019, with the hope of bringing in a rebate of over $100,000.00.

Human Resources Director Randy Cross continued the presentation:

- About 962 full-time positions were filled in FY 2019, with 57 separations or a six-percent turnover, or four percent if retirees were taken out of that number; the timespan of an average full-time City employee was 11 years, so they had to be incentivized to move on; staff would conduct an analysis between the Budget Office, Human Resources, the City Manager's Office and the department from which each employee separated to determine if the vacated position was critical to the operation or if the position could be eliminated
- The Early Retirement Incentive Program was implemented to try to reduce the number of full-time employees on the books, and this was done through the pension; the goal was to reduce the penalty to separate from the City, and further incentivize employees with additional health insurance benefits; the pension boards for the General Employees and the Management pensions both authorized the City to work with a pensions actuary to do a study currently underway to see how much that would cost, whether at no cost or a minimal cost to the City; once a position was off the books for a year, the City would realize savings
- Looking at pension reform, particularly between the Management Plan and General Employees Plan; two possible actions were being considered: if there were any cost savings merging the maintenance expenses of the two plans, and the actuary's examination showed over a 30-year period, the City could realize about $2.2 million in savings to the funds; another possibility being looked at was combining the plans; that is, merging the Management Plan into the General Employees' Plan, and nothing would change for the current participants in the Management Plan, but no one else would enter that plan, with all new employees from the outside, regardless of their position would get the benefits of the General Employees' Pension Plan; the latter was not as rich as the Management Pension Plan, so the City would realize some savings, which the actuary estimated would be about $13 million over a 30-year period, about $4 million today; they were going through a process of explaining this to the members, and in January the pension boards would take a vote, and if approved it would come before the Commission for consideration
- Management of health insurance for employees in the face of constantly raising cost of health insurance across the nation regardless of sector or industry; the goal was to be at around 85 percent on every dollar the City paid in premiums to cover overhead and other expenses; a Strategic Healthcare Committee was formed made up of employees from senior management, Human Resources, leadership from each of the unions, and the benefits consultant, and they explored different ways to increase employees' attention to wellness, participation in wellness, and the business decisions the City could make to help the bottom line; in FY 2019, from this initiative, the Vitality Wellness Program was implemented with some 200 employees currently active in it; two request for proposals (RFP) had been launched, looking for an onsite healthcare clinic, and looking at going self-funded for the City's health insurance; for FY 2020, the City

planned to implement the onsite healthcare clinic, and making all the preparations to do fully self-funded health insurance; in FY 2021, staff would look at realigning other benefits, such as additional RFPs for self-funded to look at the pharmacy and other healthcare providers to get better deals; in FY 2022, staff would continue to monitor the progress of those initiatives and their effecting savings and reducing the City's bottom line.

Assistant City Manager Kelvin Baker continued the presentation:

- In FY 2019, the City Manager rolled out the C.A.R.E. program, the concept being to take ones' assets and maximize them to the best level of efficiencies; in the past year, staff began learning how to leverage the City's assets; a video was shown of the City Manager's launch of the C.A.R.E program in 2019.

ADJOURNMENT

MAYOR MESSAM: The workshop is adjourned.

The meeting was adjourned at 6:49 p.m.

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Denise A. Gibbs, CMC
City Clerk
DG/cp