

**FINANCE COMMISSION MINUTES**  
**Wednesday, April 20, 2022 – 9:30 a.m.**  
**City Hall, Council Chambers, Vero Beach, Florida**

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

**Excused Absence:** Jay Kramer

**1. CALL TO ORDER**

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

**2. APPROVAL OF MINUTES**

**A) September 28, 2021**

**Mrs. Barton made a motion to approve the minutes of the September 28, 2021 Finance Commission meeting. Mrs. Edwards seconded the motion and it passed unanimously.**

**3. PUBLIC COMMENT**

None

**4. FINANCE DIRECTOR'S MATTERS**

**A) Review of Annual Comprehensive Financial Report for Fiscal Year ended September 30, 2021**

Ms. Cindy Lawson, Finance Director, reported that she will go over the City's Comprehensive Annual Financial Report for the fiscal year ending September 30, 2021. She reported that the City received a clean opinion from Cherry Bekaert LLP, Auditors. In this report they will see the various audit letters, opinions, and compliance reports from Cherry Bekaert. She stated that the areas that are important and critical to review are the actual financial statements, the notes to the financial statements, the statistical section, and the compliance section, which is for all of the City's grants. She reported that for the first time all three (3) of the City's pension plans are not a liability. They are listed as a net pension asset and they have all passed one-hundred percent. She explained the differences between how the City reports pension liabilities and how they fund pension liabilities. She continued by going over the Statement of Activities, which is used to look at the City's revenue and expenditures. It shows the City's governmental activities and how much they are funded specifically by fees or revenue related to that function and how much is left over to be funded by the General Fund tax revenues.

Mrs. Barton asked why is the investment income showing as a negative.

Ms. Lawson explained that the City's general investments are required by Florida Statutes to be in federal government instrumentalities, treasury bonds, and short term instruments. This was a terrible year and those bond portfolios have posted negative returns.

Mr. Nuttall asked how does the \$1.3 million figure of the transfers compare to prior years.

Ms. Lawson explained that the transfers from the Enterprise Funds are set at 6% of the operating revenue. The only exception is the Airport, because they are not allowed to make any transfers to the General Fund per the Federal Aviation Administration (FAA) regulations.

Mr. Jones asked if the 6% transfer is consistent with other municipalities.

Ms. Lawson replied yes it is very common. There are no rules on the percentage amount, so some municipalities will transfer more than 6%. It is at the discretion of City Council to transfer funds from the Enterprise Funds into the General Fund and those funds are not restricted. The 6% is a policy and they could change it, but for the past 11 years the City has used 6%.

Ms. Lawson continued with discussing the General Operating Fund on page 30 of the Comprehensive Annual Financial Report. This shows the fund balances that are held consistent with the Fund Balance Policy. This policy was modified right after the sale of the Electric Utility to make sure the proceeds from the sale were set aside for things like paying off pension funds, putting more aside in the emergency reserves, for capital improvements, etc. She referred to page 32 of the Comprehensive Annual Financial Report and said this is basically the income statement for the General Fund. The total revenues are \$20.5 million and the total expenditures are \$24.4 million, which includes the appropriation of fund balances for pension payments, Other Post Employment Benefit (OPEB) payments, and the glide path. The ending fund balance is shown at about \$62.3 million. She went on to discuss the financial statements on page 36 for the various Enterprise Funds, which includes the Water and Sewer, the Airport, the Marina, and the Solid Waste Fund. She said the income statements for the Enterprise Funds are shown on pages 40 and 41. She pointed out that the Airport has an operating expense of about \$2.5 million and depreciation of about \$2.8 million. It does not have enough income to cover its expenses and its depreciation, so it runs at an operating loss. However, capital grants and contributions take the place of that loss. The Airport has a very expensive infrastructure and with the depreciation it does not make enough to do its capital improvements, but it does have substantial investments for capital improvements from the FAA and the Florida Department of Transportation (FDOT).

Mr. Waddell asked how is the revenue generated for the Airport.

Ms. Lawson replied that their revenue is primarily from their commercial tenants. The tenants that are Fixed Based Operators (FBO's) pay rent for the facilities, as well as gross receipts and a percentage of their fuel flowage.

Mr. Waddell asked if it is based on their take offs and landings.

Ms. Lawson replied yes, in an indirect way. She reported that the Airport receives \$2 million from Airport rentals, \$160,000 comes from rentals at the Citrus Park Village Mobile Home Park, \$230,000 comes from fuel flowage, and another \$320,000 comes from gross receipts of the FBO's. The rest of it is just miscellaneous revenues.

Mr. Waddell asked if they have had anyone, other than the City, look at the land leases to make sure they are on the same commercial level with what is going on outside of the Airport.

Ms. Lawson explained that they are required by the FAA to make sure the rentals are at a fair market value.

Mrs. Barton stated that the report shows the Airport's fund balance is unrestricted. She asked if the FAA grants are unrestricted.

Ms. Lawson explained that the FAA grants are restricted, but they are reimbursement grants so there is nothing left over.

Ms. Lawson stated that the Marina's debt service of \$375,000 per year was paid off with proceeds from the sale of the electric utility. Now the Marina shows an increase in net position of \$440,000 last fiscal year. That allows the Marina to be able to afford an interfund debt service for some of the capital improvements and to start rebuilding their reserves. The net position of the Marina is still at about \$5.5 million net investment in capital assets with about \$500,000 in cash and receivables. The Solid Waste Enterprise Fund operates at a surplus and there is more than enough to cover the 6% transfer to the General Fund. She continued by discussing some of the important points of the notes section on page 65. She went over the City's long term debt, what it includes, what was paid off, what was added in, and the ending balances on each debt. On the following pages they will see the interest rates and the amortization schedules for all the revenue notes and capital lease purchases. She explained that the City has three (3) Pension Plans. The General Employee Pension Plan is for non-public safety employees, which was frozen in 2015, with no new entries or accumulation of benefits. There are about 688 people in the Plan. The second plan is the Police Pension Plan, which is still active and is funded in part by revenue from insurance and from the State. The third plan is the Fire Pension Plan that has about eight (8) retired employees left in it and it is the City's responsibility. She explained that the investment return will be different for each of the Plans. She asked the Commission members to review the summary page that she handed out (attached to original minutes). This page summarizes the information about the pension liabilities. She went over the graph on the handout showing what each pension plan has done since 2014.

Mr. Waddell asked if the Fire Pension Plan participants were all retired firemen before it was turned over to the County.

Ms. Lawson replied yes. The participants had the option of switching to the Florida Retirement System with the County or staying with the City's Pension Plan.

Ms. Lawson explained that the City provides retirees with a health insurance subsidy depending on their years of service. When people retire they can stay on the City's health insurance plan and the City will pay a calculated percentage of their monthly premium. The City created an OPEB trust several years ago to begin putting money into so they could make those payments, but also leave extra money in there so it will continue to grow a balance. By doing this, the City has accumulated about \$4.3 million to go against the City's OPEB liability, so they are making progress. She explained that after the sale of the Electric Utility, the City Council very specifically went out of there way to set aside committed fund balances for specific purposes in order to put the City in a great financial position. She said page 101 recaps exactly what the committed reserves are for in

accordance with the adopted Fund Balance Policy. On page 100 they will see the four (4) committed fund balances, which include the unfunded pension liability reserve, an OPEB reserve, a capital and infrastructure reserve, and an emergency reserve. She continued with briefly going over several tables, which included the City's taxable assessed value, the City's direct tax rate, the overall tax rate, the City's millage rate, and the list of the top 10 tax payers in the City of Vero Beach. She then went over the 10-year history of the City's staffing levels on page 156 of the Comprehensive Annual Financial Report.

## **B) FY 21-22 First Quarter Financial Report and Variance Analysis**

Ms. Lawson introduced Mrs. Kelley Brost to the Commission members and said that she is the person who does the majority of the work on the quarterly financial reports.

Ms. Lawson stated that not much happens in the first quarter. In the first month they have a lot of expenditures that go back to the prior fiscal year, so it throws things off for a bit. On the flip side though, they receive most of the Ad Valorem Taxes in the first quarter. There are a few things that skew the numbers, but that is just the nature of their operations.

Mr. Waddell stated that this report was as of December 31, 2021, so he assumes they have a report from March 31, 2022. He asked if anything has recovered in the investments.

Ms. Lawson explained that they close their general ledger monthly, but they only produce external financial reports quarterly.

Mrs. Kelly Brost, Comptroller, reported that the investments have not improved.

Mrs. Barton asked Ms. Lawson if there was anything she found that might be an issue.

Ms. Lawson replied that she did not see anything out of the ordinary and there is not any action they need to take as of the end of December.

Mr. Jones asked if they make any attempt to budget seasonally.

Ms. Lawson said if she sees something that she believes might cause a problem to the bottom line before the end of the year she might make some adjustments.

Mr. Jones said they talked before about how COVID caused some issues and now inflation is a concern. He asked do they see any risk to this year's plan because of it.

Ms. Lawson replied that a couple of areas she thought COVID would have affected their budget financially really never came to pass. She does not believe anyone would have expected to see the type of investment returns in the Pension Plans like they had. This year they are starting to feel the impact of inflation, particularly with the Enterprise Funds and especially the Recreation Department.

Mrs. Brost said on pages 22 and 23 they will see a summary laying out each individual cost center for the Recreation Department and so far they are doing well on their own. The first quarter shows them almost at their targets.

Mrs. Barton asked if they are having any staffing or retention problems.

Ms. Lawson replied yes, some departments have mentioned it. She said at the May 3<sup>rd</sup> City Council meeting they will be discussing their budget priorities. They will go over where the City's salaries sit and what they will need to consider for next year and how to resolve some of their staffing problems.

At 10:44 A.M., Mr. John Turner, City Attorney, excused himself from the meeting and Ms. Jenny Flanigan, Assistant City Attorney, took over as legal counsel for the Commission.

## **C) Update on Various City Projects and Initiatives (Requested by the Chairman)**

### **1. Water Reclamation Facility Project and Financing**

Ms. Lawson reported that City Council awarded the design contract for the Water Reclamation Facility on March 1, 2022 for about \$3.8 million and the group held their initial kickoff meeting last week. The Project Manager will be meeting with her and the Water and Sewer Director to get an updated spending forecast for the actual capital part of the project and some of the engineering elements. She explained that they will eventually include the soft cost of \$3.8 million in the bond, but they have more than enough cash to pay for that until the bonding happens. As of the end of last year they had \$22.5 million of unrestricted cash on hand, so even with using \$3.8 million it will not affect their bond rating. Per the Internal Revenue Service (IRS) regulations the City is allowed to reimburse themselves for the soft costs. They will use cash for part of the costs and include a replenishment of that cash in their bond when that happens.

Mr. Waddell asked is the idea to move the entire Water Treatment Plant to the Airport property.

Ms. Lawson explained that they will not be moving buildings, but constructing the new facility and campus on the Airport property. The existing buildings at the current site will then be demolished and that property will become part of the Three Corners project.

Mr. Jones asked if there is any time frame for this project and will it accommodate the growth in the City.

Ms. Lawson stated that the rate consultants are using demographics to make some projections for the future. There is not as much growth as they would think within the water service area, because the City is built out. The area of growth is in the Septic Tank Effluent Pump (STEP) System hookups. The design process will take about eight (8) months, there will be another six (6) months to put it out to bid, the construction schedule is about two (2) years, so it will probably be a total of about five (5) years.

### **2. Airport General Aviation vs Commercial Aviation Status**

Ms. Lawson reported the Bill that the City was working on with Legislation passed, so that means the City can retain 80% of their FDOT funding until they pass 100,000 enplanements in a single year. Previously it was 10,000 enplanements. She said that the Airport relies heavily on grants to be able to afford the upkeep of the infrastructure, so this is extremely good news. If they only received 50% funding they would lose about \$1 million in grant money every year.

### **3. Marina Master Plan Project Finances**

Ms. Lawson announced that City Council scheduled a Special Call meeting for May 5, 2022, to have the consultants present the plan for the Marina South Complex project, which includes the dry storage building, the docks, and the bulkhead. This project is funded by a combination of a grant, a loan, and a contribution. She explained that an interfund loan was given to the Marina from the General Government Capital Infrastructure Fund. It will be paid back by the Marina over 15 years at 1% interest. There is also a \$2 million capital contribution being made from the \$21 million Capital Infrastructure Reserve for this project. The estimated cost of this project is \$7.1 million. It will be about \$500,000 in grants from the Florida Inland Navigation District (FIND), 4.7% from the interfund loan, and a \$2 million contribution that does not require repayment.

Mr. Jones assumed that the FIND grant would have been higher. He asked if there is a chance they could receive more.

Ms. Lawson explained that they budgeted for \$464,000 from FIND for Phase I, but they were only awarded \$381,000. However, they are in the process of making application for a Phase II grant, so that amount could improve.

Mr. Jones asked if the \$7.1 million is just for the current footprint that was presented.

Ms. Lawson replied yes, it is for the South Complex development. Nothing has been approved yet and it has not gone out to bid. It will be up to City Council to decide if they proceed with that design or some other version of the plan.

Mrs. Edwards asked if they have local representation on FIND. If they do, that person can be a big help.

Mr. Jones replied yes, they do have a representative.

Mr. Jones asked if their intent for giving the Marina the \$2 million subsidy is to make sure that the loan is not in excess of what the Marina can afford to repay.

Ms. Lawson replied yes, that is why she made that recommendation during their budget workshops. They don't want to put the Marina back in the same situation of having a debt service burden that makes it impossible to generate revenue to maintain its assets.

Mr. Jones asked if it is reasonable to assume that a smaller building would make it less financially attractive compared to the largest one (1) they are planning on.

Ms. Lawson said she does not know the answer, but that question might be answered at the May 5<sup>th</sup> meeting by the consultant or the Marina Director, Sean Collins.

### **4. Three Corners Referendum and Developer Request for Information (RFI)**

Ms. Lawson reported that the City released a Request for Information (RFI) on the development of the Three Corners Project on March 10, 2022. There was a site visit for the interested developers on March 23<sup>rd</sup> and 24 teams of developers, engineering firms, etc. attended. Their responses to the

RFI are due back to the City on April 26, 2022, but they are not mandatory to be eligible to submit a packet for a future Request for Proposal (RFP). The plan is if the referendum passes the City will release an RFP so they can begin to negotiate a contract.

Mr. Jones asked if the City assumes this property would be built out by a commercial entity.

Ms. Lawson said they would have to wait and see what comes out of the RFP. She explained that the RFI is only for the north parcel and the south parcel will be for the City to develop. The south parcel will include green space, bike paths, youth sailing, and some other things.

## **5. CHAIRMAN'S MATTERS**

Mr. Jones brought up the growth of Indian River County and asked if there are any figures for that, which would affect the parking and the services provided by the City of Vero Beach.

Ms. Lawson replied that it depends on the service, but at this point the City has not discussed adding more lifeguards or more guarded beaches. However, when it comes to public safety, they will have to see if that influx of people result in more calls for service by the Police Department. If it does, they will go to City Council to request more staffing. When it comes to parking there have been some discussions on how to increase the number of parking spaces on the ocean side, but there has not been much interest in how to capture more revenue from parking or for using public spaces and Parks. The influx will have a positive impact on the local businesses and an increase in taxable value, so the increase (in population) will indirectly affect the City's revenue sources.

## **6. MEMBER'S MATTERS**

Mrs. Barton brought up the streets in the Central Beach area and asked if the maintenance of the streets is State funded.

Ms. Lawson said the City does a paving assessment every few years to determine what City streets are a priority to be paved and they do as much as they can within their budget. She explained that street paving is paid for with the one-cent sales tax and not by Ad Valorem taxes.

Mrs. Hanson asked if there have been any discussions about the City receiving additional revenue from the 11% Tourist Tax.

Ms. Lawson replied that by State law the City is not entitled to that money. It is handled through the County and the County's Tourist Development Council (TDC). She said the City has made several requests to the County for some sharing of that money for eligible projects, but they have not been willing to share it. She explained that there are restrictions on what the money can be expended on and it has to be tourism related or a small handful of eligible capital projects that meet certain criteria. She announced that the County recently changed their outside agency funding policy for TDC grants to specify they will not accept any grant requests from municipal governments.

Ms. Jenny Flanigan, Assistant City Attorney, stated that the City is looking at some options since the City makes up 50% of the tax. She believes they will submit the grant request even after the County's recent change.

Ms. Lawson explained how the City indirectly benefits from the tourist tax money that the Chamber of Commerce spends to advertise and promote local business in the City of Vero Beach.

**7. CLERK'S MATTERS**

None

**8. ADJOURNMENT**

Mr. Waddell made a motion to adjourn today's meeting at 11:24 a.m. Mrs. Barton seconded the motion and it passed unanimously.

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