

**MINUTES
CITY OF LAKE WORTH
CITY COMMISSION
BUDGET WORK SESSION NO. 4
AUGUST 11, 2015 – 6:00 PM**

The meeting was called to order by Mayor Triolo on the above date at 6:01 PM in the City Commission Chamber, located at 7 North Dixie Highway, Lake Worth, Florida.

1. ROLL CALL:

Present were Mayor Pam Triolo; Vice Mayor Scott Maxwell; and Commissioners Christopher McVoy, Andy Amoroso, and Ryan Maier. Also present were City Manager Michael Bornstein and City Clerk Pamela Lopez.

2. PLEDGE OF ALLEGIANCE:

The pledge of allegiance was led by Commissioner Andy Amoroso.

3. UPDATES/FUTURE ACTION/DIRECTION:

A. Discuss the Fiscal Year 2016 proposed budget

City Manager Bornstein reminded the Commission that this was a work session meeting, no official action could be taken, and that staff was looking for direction from them. He commented that the proposed budget was still a “work in progress” and the budget documents were still a draft. The detailed, large voluminous budget document provided to the Commission showed a “snapshot” in time and included a lot of assumptions.

He said the early health benefit projection was conservatively set at a 20% increase and forecasted to cost \$4.2 million. The Human Resources Director had been in negotiations with the insurance agent, and staff just received word on August 10, 2015, that there would be a zero percent increase. He commented that the Commission would be seeing different numbers since the “snapshot” budget document was provided to them. He thanked staff for the work they did on this budget.

1) Beach Fund

City Manager Bornstein announced that the Fiscal Year 2015 budget document and five-year projections that were provided to the Commission and public showed a significant increase in revenues. He explained that there was a glitch in the budget spreadsheet formula, which caused the Beach Fund revenues to be overstated. He advised that the \$500,000 revenue projection for Fiscal Year 2015 was wrong and that there was no Beach Fund revenue surplus.

Comments/requests summaries:

1. Commissioner Maier asked if the Beach Fund was in the red or black at the end of the last fiscal year.

City Manager Bornstein replied that the Fund was in the black by \$471,000.

Commissioner Amoroso responded that the Beach Fund was in the black because it did not make a payment on the Casino Building debt loan.

2. Vice Mayor Maxwell asked if the budget documents presented at this meeting were "good numbers."

City Manager Bornstein replied that the budget numbers were correct.

3. Commissioner McVoy commented that, given the level of public interest in the 20 acre beach area and the Beach Fund being in the black, he said it was important to know whether or not the Beach Fund was stable.

City Manager Bornstein responded that, in the current budget, there were expenses included in the Beach Fund to operate the beach in a better way. There was a tremendous amount of traffic at the beach, and the Commission would need to have policy discussions on lifeguard staffing. He said with the parking fees at their current \$2.00 per hour, the Beach Fund would have a deficit of \$457,000.

Juan Ruiz, Leisure Services Director, thanked John Pickett and Laurel Decker along with staff for their work on putting the budget numbers and presentation together. He explained that the proposed budget included providing lifeguards for 10 hours per day. He explained the following two Options were available to the Commission, and that staff was comfortable with Option B:

- Option A – add additional lifeguards during the daylight savings time period at a cost of \$156,282; or
- Option B - increase overtime to cover holidays and weekends during the daylight savings time period at an additional cost of \$30,000.

Comments/requests summaries:

4. Commissioner Amoroso asked if the \$457,137 deficit included Option A.

Mr. Ruiz replied that the total \$457,137 deficit included the current \$2.00 per hour parking revenue, Option A, capital outlay, loan repayment, loan interest, and transfer out expenses.

5. Vice Mayor Maxwell asked if staff had included in the proposed budget the funds needed to properly operate the beach area with the proper level of staffing, maintenance costs, etc.

Mr. Ruiz replied that not all of the costs to properly operate the beach area were included in the proposed budget.

6. Vice Mayor Maxwell commented that staff did not provide the Commission with all of the information to properly maintain the beach area as they had previously requested.
7. Commissioner McVoy commented that it would have been nice to receive a clearer spreadsheet that included all of the options.

City Manager Bornstein responded that staff was looking for direction, then the budget numbers would be added.

8. Mayor Triolo commented that she thought the Commission was going to receive the exact operation costs as a standalone rather than having some of the items included and some of the items left out. The Commission could then plug in add-on items to see the costs.
9. Mayor Triolo asked if lifeguard rescues occurred more during or after hours.

Doug Yoakum, Interim Chief Lifeguard, replied that most rescues happened directly on the City's beach. At the end of their work day, there were still about 300 people on the beach. He commented that the Fire/Rescue Department was always being called after hours.

10. Mayor Triolo commented that she supported Option B to increase overtime.
11. Vice Mayor Maxwell commented that the reason the hourly parking fee was increased to \$2.00 was because there was a threat of cutting lifeguards. The Commission then made the decision to increase the fee. He asked if there was an industry standard for the number of beach or pool lifeguards required to provide a certain amount of protection.

Mr. Yoakum replied that the Red Cross had an industry standard for pool lifeguards, but not for the beach. At times there would be 6,000

people at the beach with five lifeguards on duty. Most beaches had lifeguards between 9 AM – 5 PM. Once the beach was dark, he said the lifeguards could not see anything.

12. Commissioner McVoy commented that he had raised concerns in the past about the flavor of the beach and the amount of alcohol available. He asked if the rescues were alcohol related.

Mr. Yoakum replied that about 20% of the rescues were alcohol related.

13. Commissioner McVoy commented that the City could expand the number of lifeguards and choose Option A, expand the parking revenue to cover the cost, or the Commission could ask the beach tenant establishments to pay for some of the lifeguard costs.
14. Commissioner Maier suggested hiring more part-time lifeguards rather than paying the additional overtime.

Mr. Yoakum responded that the problem with part-time lifeguards was their lack of experience.

15. Vice Mayor Maxwell requested staff bring back the financial numbers for the exact operation costs.

Consensus: Not to discuss the Beach Fund until staff brought back the financial numbers for the exact operation costs.

2) **Electric Fund**

City Manager Bornstein reported that the City's rate, based on a 1,000 kwh residential user, was within 4.79% of FPL's present rate. He announced that the electric rate had been lowered over the past four years and no rate increase was proposed for Fiscal Year 2016. He said the City's reliability indices continued to improve.

He commented that the numbers included in the Burton and Associates model showed a significant shortfall in 2017. After talking to Utility Financial Solutions, the City's electric rate consultant, the Burton and Associates revenue numbers were low, and the City would not run into a deficit until 2018. He announced that, instead of the projected revenues being \$51 million, the revenues would be \$54 million.

Comments/requests summaries:

1. Commissioner McVoy commented that he was tempted to walk out of this meeting because it was a waste of the Commission's time. The

financial numbers were not correct and it sounded like the Finance Department was understaffed and there was not enough staff. He said he was not interested in the previous presentation. A few years back, an ordinance was passed to drop the City's rates to match FPL's. The Burton and Associates model showed a slope of the curve, which started at plus \$10 million in operating cash downward to minus \$20 million. He said rates were lowered and that, if operating expenses were reduced, then the \$30 million spread over that period of time showed that the Electric Utility Department was not being managed correctly. He asked that information be provided using a clear, graph format. The City would go from a Projected Operating Cash of plus \$10 million in Fiscal Year 2014 to minus \$20 million in Fiscal Year 2020.

City Manager Bornstein responded that Mark Beauchamp, Utility Financial Solutions, looked at the financial numbers and said he had the same concerns as Commissioner McVoy. Mr. Beauchamp came up with a rate program to curb the deficit and was recommending a rate increase in Fiscal Year 2017. He commented that there was an expectation that FPL would raise their rates. He advised that the information provided was the latest projections from Mr. Beauchamp.

2. Commissioner McVoy asked if the Electric Fund was holding steady or was it dropping. The City wanted the Fund to hold steady because it needed to have operating cash reserves. He asked for the information to be provided in graph format and, based on the projections, could the City meet its bond obligation. He commented that he wanted to make sure the City met its bond obligations.

City Manager responded that the Total Restricted and Unrestricted Reserve Funds would be \$8.7 million in Fiscal Year 2020.

Nerahoo Hemraj, Finance Director, stated that if the City maintained its revenue stream and expenses were managed, then the Projected Operating Cash benchmark would be \$1.6 million in Fiscal Year 2020.

3. Commissioner McVoy commented that if the rates were not increased, then the bond council would still be okay; however, if the rates were increased, the City would go from a Projected Operating Cash of \$10 million in Fiscal Year 2014 to \$2.2 million in four years. This down slope would not occur as fast because the rates were increased. He commented that he was skeptical because there was not that kind of efficiencies laying around to change the Projected Operating Cash.
4. Mayor Triolo commented she did not want to villainies staff and asked to keep the comments professional because staff worked hard. The rate parity issue was a way to erase the disincentives and public's

perception about the City's high electric rates. She said great efficiencies could be realized from a financial aspect. The financial numbers would move, and there would always be a financial variable. The rates were lowered from various ways, and the City would see great economy of scale.

5. Vice Mayor Maxwell asked about the difference between Projected Operating Cash and Total Restricted and Unrestricted Reserve Funds.

Mr. Hemraj replied that both columns were related to the bond covenant. Moving forward staff would isolate the restricted and unrestricted reserves better.

6. Vice Mayor Maxwell asked if the City was in good shape with its Projected Operating Cash since the bond covenant was being met.

Mr. Hemraj responded that, based on projections and if everything was materialized, the City should be generating from the Electric Fund approximately \$52 million in cash for operating purposes. The City had another \$12 million in the Water Fund and there was additional cash in the Sewer, Stormwater, and other Funds. For operating purposes when the City looked at its pool of cash, which was sitting around, and if there was a shortage in the General Fund because the taxes did not come in, then the City could draw from that cash pool until the General Fund revenues came in.

7. Commissioner McVoy commented that he was extremely concerned with what he was hearing from the Finance Director and that he could not convey the level of his concern. He said he was not an accountant, he was a scientist. He said he just heard the Finance Director state that enterprise funds had cash pools while other enterprise funds had shortfalls and that if there was a shortage, the City could pull money from an enterprise fund.

City Manager Bornstein responded that the Finance Director did not say the City could pull money from an enterprise fund. He said he could break out the Restricted and Unrestricted Reserve Funds.

8. Commissioner McVoy asked if there was an industry standard for a utility to have a certain number of months' worth of operating cash on hand. With the rate reductions, he said the City was reducing its operating cash to pay expenses.
9. Vice Mayor Maxwell commented that the City historically contributed large sums of money to backfill its revenue through the Water and Electric Funds. He asked the Commission not to beat up staff over the rate parity ordinance and said that, if a Commissioner wanted to

increase the electric rate, then he could make a motion. He asked that staff not be beaten up.

Commissioner McVoy responded that it bothered him about misinformation continually being put out that the City was taking big buckets of money out of the Utility Funds and using it to shore up the General Fund. Those comments suggested that the City was doing something drastically different from what other communities were doing. He said the Commission just had a discussion regarding the Village of Palm Springs a couple of meetings ago, and they wanted to push 16% of what they charged their residents back into their General Fund. The Commission did not raise any concerns about "what highway robbers they were doing to backfill their General Fund with it." The City's percentage was about 10-12%, which would have been the same amount if the City had Florida Power & Light. The City would have charged an administrative fee and franchise fee, which was standard practices. The City's percentage was in the middle of the range of what other communities were doing. He said he resented statements being made that the City had a "cash cow" and was stealing from its customers. The City was doing the same thing as other communities at very similar rates and lower than Palm Springs.

City Manager Bornstein said Mr. Beauchamp would discuss the rates further at a later budget work session.

Jack Borsch, Electric Utility Director, said he welcomed a challenge and he and his staff were up to a challenge. He explained that the Fiscal Year 2016 budget would be adjusted to reduce \$1 million for a GT2 Turbine overhaul, \$300,000 for the GT2 Turbine Generator overhaul, \$680,000 for the rolling fleet replacement, and \$300,000 for pole inspections. He commented that the Electric Fund's Fiscal Year 2016 proposed budget would be reduced by a total of \$2.28 million.

Comments/requests summaries:

10. Commissioner McVoy commented that he was skeptical that there was \$300,000 worth of staff time just laying around. He asked what the staff was doing.

Mr. Borsch replied that it would be more efficient to hire an outside contractor to perform the 10-year pole inspection project rather than pull his staff away from other projects.

11. Commissioner Maier asked about the percentage of power the GT2 could generate.

Walter Gill, Assistant Electric Utility Director, replied that the GT2 could

generate 30 megawatts, which was about 18% of the City's needed megawatt.

City Manager Bornstein reported that in Fiscal Year 2015, the difference between FPL and the City's residential user rate was 4.79%

Mr. Hemraj said he would make the necessary \$2.28 million savings and income stream adjustments to the Electric Fund's budget for the Commission.

3) General Fund

City Manager Bornstein explained that the tax rate was 5.4945 mils for the past three years, the Municipal Service Taxing Unit (MSTU) remained at 3.4581 mils, and there was a 9.42% increase in assessed property values. The proposed Fiscal Year 2016 budget included an across the board 4% salary increase, a 1% increase to the Palm Beach Sheriff's Office contract, and a 0% increase in benefits based on final quotes. He explained that there was an approximate 10.47% increase in ad valorem revenues; State Shared Revenue increase of approximately \$381,000; a loss of a one-time South East Risk Management Association (SERMA) revenue of \$400,000; and a preliminary Use of Fund Balance of \$356,000. Because of the health insurance benefit cost reductions, the deficit was reduced from \$633,977 to \$355,977. He said the projected Fiscal Year 2016 ending fund balance would be \$3,770,621.

He said staff would do a better job presenting the numbers, there were issues with getting staffing for the Finance Department, and the transition was tough. He commented that staff was working together and would provide the budget numbers for the Commission so that they could make decisions.

Beach Fund

Comments/requests summaries:

1. Mayor Triolo commented that the budget was very confusing to the public and Commission because the numbers kept changing. There was a need to see what was existing in the Beach Fund budget then add to it rather than take away from it.
2. Vice Mayor Maxwell commented that the Beach Fund had to balance by law. There was an assumption that staffing and maintenance at the beach was okay. Mayor Triolo was asking to see the existing assumptions, then add to it. He said he was requesting the Beach Fund budget include what was needed to properly operate the beach then the Commission could take away from it.

3. Mayor Triolo said the Commission was supposed to be seeing the existing model and next to that the model on what was needed to properly operate the beach. She commented that she could not make a decision because she had not seen the final numbers.
4. Commissioner McVoy commented that it was not difficult to create a spreadsheet with various categories. It was the Commission's responsibility to make decisions. He suggested a spreadsheet be created with various options and various price tags. There was a need to have real numbers and a need to have them clearly laid out. There was a need to focus on the numbers and options.

City Manager Bornstein responded that policies on how to run the beach was needed from the Commission. There was no unanimity from the Commission on what to do with the resulting policy changes.

5. Commissioner Maier commented that he heard Mayor Triolo state that she wanted to look at a mixed model, which had not yet been voted on. There was a need to see Column A on what decisions were already made and Column B on those items that had not yet been voted on. The Commission was currently not able to make a rational decision.

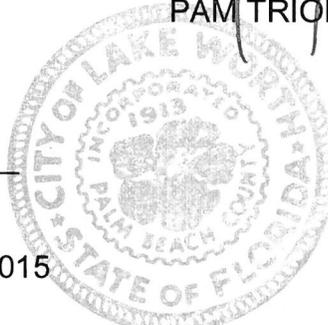
4. ADJOURNMENT:

Consensus: To adjourn the meeting at 7:48 PM.

ATTEST:


PAMELA J. LOPEZ, CITY CLERK


PAM TRIOLO, MAYOR



Minutes Approved: September 15, 2015

A digital audio recording of this meeting will be available in the Office of the City Clerk.