

FINANCE COMMISSION MEETING
Wednesday, May 8, 2019 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

AGENDA

- 1. CALL TO ORDER**
- 2. ELECTION OF OFFICERS**
 - A) Chairman**
 - B) Vice Chairman**
- 3. APPROVAL OF MINUTES**
 - A) January 16, 2019**
- 4. PUBLIC COMMENT**
- 5. FINANCE DIRECTOR'S MATTERS**
 - A) Presentation of Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended September 30, 2018**
 - B) Discussion Regarding Renewal of Audit Contract for Fiscal Year Ended September 30, 2019**
 - C) Resolution to Set Aside a Portion of the Electric Sale Proceeds to Pay General Fund Unfunded Pension Liability**
 - D) Review FY 18-19 First Quarter Financial Report and Variance Analysis**
- 6. CHAIRMAN'S MATTERS**
- 7. MEMBER'S MATTERS**
- 8. CLERK'S MATTERS**
- 9. ADJOURNMENT**

This is a Public Meeting. Should any interested party seek to appeal any decision made by the Commission with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

FINANCE COMMISSION MINUTES
Wednesday, January 16, 2019 – 2:00 p.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairman, Robert Jones; Vice Chairman, John Smith; and Member, Kathryn Barton **Also Present:** Finance Director, Cindy Lawson and Deputy City Clerk, Sherri Philo

Excused Absences: Scott Nuttall, Vic Demattia and Dan Stump

1. CALL TO ORDER

Today's meeting was called to order at 2:00 p.m.

2. APPROVAL OF MINUTES

A) October 17, 2018

Mrs. Barton made a motion to approve the minutes of the October 17, 2018 Finance Commission meeting. Mr. Smith seconded the motion and it passed unanimously.

3. PUBLIC COMMENT

None

4. FINANCE DIRECTOR'S MATTERS

A) Payoff of Series 2007A Marina Loan

Ms. Cindy Lawson, Finance Director, briefly went over the backup information on the payoff of Series 2007A Marina loan with the Commission members (attached to the original minutes). She reported that the City Council made the decision to keep the Marina and to hire a Marina Manager, and to prepare an Engineering Study of the condition, the probable costs for repairs, and the priority for the repairs of the Marina. She said this loan payoff will give them the opportunity to hand the new Marina Manager some wherewithal to go forth and start making the first set of repairs and improvements and then to move forward into the Engineering Study recommendations for long term capital improvements. Staff recommends that they proceed with the payoff of this loan at the earliest possible date with City Council approval. She noted that the bank payoff is only good through January 22nd. If the Finance Commission makes a motion to recommend this to the City Council she will re-up the bank's quote so it will be valid past the next City Council meeting date. She did not anticipate much of a change, but she will have to redo this and the savings might be slightly different either better or worse. However, she thinks there will still be savings. She asked the Commission to endorse staff's recommendation to pay off this loan.

Mr. Jones said there are two (2) benefits to this; it is a decent financial investment to payoff this loan and it allows the Marina to operate as an Enterprise Fund without other adjustments to fund Capital investments to the Marina.

Mr. Smith made a motion that the Finance Commission approves the proposal to pay off the Marina loan. Mrs. Barton seconded the motion and it passed unanimously.

B) Payoff of Series 2007B-2 Dodgertown Loan

Ms. Lawson briefly went over the backup information on the payoff of Series 2007B-2 Dodgertown loan with the Commission members (attached to the original minutes). She said the advantage of paying off this loan is that they will free up about \$660,000 a year for the next eight (8) years from the one (1) cent sales tax. She reported that the City's adopted budget, which includes the payoff of this loan, contains \$660,000 worth of projects in 2018/2019 that cannot proceed unless they do this. Staff recommends that they proceed with the payoff of this loan at the earliest possible date.

Mr. Smith made a motion that the Finance Commission approves staff's recommendation to pay off the Dodgertown loan. Mr. Jones seconded the motion and it passed unanimously.

Ms. Lawson briefly went over staff's recommendations for uses of residual cash after the sale of the Electric Utility to Florida Power and Light (FPL) is completed with the Commission members (attached to the original minutes).

5. CHAIRMAN'S MATTERS

Mr. Jones said that he discussed with the City Manager and with Ms. Lawson the question of how to come up with areas the Finance Commission might address. He said there are specific items in the Charter, but there is also verbiage that the Commission could be self directed to focus on some issues. He asked how does the Commission decide what the most constructive items are that they should focus on.

Ms. Lawson said that she brings items before the Commission that the City Council is interested in, such as the creation of the Other Post Employment Benefit (OPEB) Trust and the establishment of the General Fund Fund Balance Policy. She said that she will always have items that will come up just as the natural course of doing business.

Mrs. Barton said even though there is language in the Charter that leaves it open for self direction she is not in favor of self direction. She said that she sees the Commission as being advisory to be helpful where they are wanted. She does not want to make issues, but to advice the City Council or Ms. Lawson on issues when they are called upon.

Mr. Smith said it is a difficult question because the Commission can help with financial issues, but in terms of City policy if they don't rely on City Council for direction then they would be wasting their time in most cases. He said that he would prefer to leave their charge as it is. He said it is not their job to go out and look for things, but it would be appropriate if they know of something, such as something another City is doing.

Mr. Jones asked when would be the appropriate time for the Commission to review monthly financial statements.

Ms. Lawson said a few years ago the Finance Commission decided not to review monthly financial statements any longer because they realized the City's budget to actual controls were back on track and opted to do quarterly financial reviews. She reported that the quarterly financial reports and variance analysis are ready for review in February and May and the final one (1) for the year they wait for the CAFR. She said if the Commission wants to go over the first quarter financial statement and variance analysis they could schedule a meeting for the second week of February.

Mrs. Barton said the first quarter does not give them a lot of information.

Ms. Lawson said staff still prepares the first quarter report and variance analysis so if the Commission wants to meet and discuss them they could do that.

Mr. Jones asked Mrs. Barton if she was suggesting that it would not be a useful exercise.

Mrs. Barton answered not after one (1) quarter.

Mr. Smith said when he first came on the Finance Commission it was useful because it taught him a lot about the financial statements in the budgets, the timing, etc. That was the benefit to him. He suggested that the Commission meets to review the financial statement and variance analysis after the second quarter.

Mrs. Barton agreed.

Ms. Lawson noted that staff will still produce and send the first quarter report and variance analysis to the Commission members. If when the members receive the information and they want to talk about it they can absolutely set up a meeting. She suggested that they set a meeting in mid-April to go over the CAFR.

Mrs. Barton asked that they wait to schedule that meeting until after the tax deadline.

The Commission members agreed.

6. MEMBER'S MATTERS

None

7. CLERK'S MATTERS

A) Approval of the Finance Commission's 2018 Annual Report

The Commission members approved the Finance Commission 2018 Annual Report to be submitted to the City Council.

8. ADJOURNMENT

Today's meeting adjourned at 2:56 p.m.

/sp

MEMORANDUM

TO: Finance Commission

THROUGH: Monte K. Falls, Interim City Manager 

FROM: Cynthia D. Lawson, Finance Director 

DATE: May 1, 2019

SUBJECT: Discussion Regarding Renewal of Audit Contract for Fiscal Year Ended September 30, 2019

In 2014, in accordance with the requirements for auditor selection set forth in Section 218.391, Florida Statutes, the City Council approved an auditing services engagement letter with Cherry Bekaert. Per this engagement letter, Cherry Bekaert provided audit services to the City for an initial term of five (5) years and has audited the fiscal years ending September 30th 2014, 2015, 2016, 2017, and 2018. Following the initial term, the auditing services engagement includes the option for three (3) one-year renewals if mutually agreed upon in writing by both parties.

I am recommending the first one year renewal of Cherry Bekaert for auditing services for the fiscal year ending September 30, 2019. This is the fiscal year in which the Electric Utility sale was finalized and as our auditors for the past 5 years Cherry Bekaert is familiar with the various accounting and financial aspects of the sale. In order to close out the Electric Utility enterprise fund in FY 19, there will be a number of complicated accounting treatments for asset disposal, sale proceeds and other balance sheet items and residual liabilities. It will be difficult for the Finance department to work through these issues and produce an audited Comprehensive Annual Financial Report (CAFR) with auditors who are not already familiar with current City accounting procedures and operations as well as the history of the sale process.

Cherry Bekaert has agreed to this renewal and has indicated that their fee will follow the same 2% annual escalation as the first five years of the initial term. This will bring the fee for the FY 19 CAFR and State/Federal grant single audit to approximately \$88,000. A portion of this fee is allocated to all City funds being audited (i.e. General Fund, electric, water/sewer, airport, etc).

MEMORANDUM

TO: Finance Commission

THROUGH: Monte K. Falls, Interim City Manager 

FROM: Cynthia D. Lawson, Finance Director 

DATE: May 1, 2019

SUBJECT: Resolution to Set Aside a Portion of the Electric Sale Proceeds to Pay General Fund Unfunded Pension Liability

On April 18, 2018 the Finance Commission unanimously endorsed the staff's recommendations for the use of residual cash after the sale of the Electric Utility was completed. One of these recommendations was to set aside funds to make the \$1.8 million annual payment on the unfunded pension liability for the General Fund until the frozen pension plan is fully funded. As discussed previously, this approach will address the impact of unfunded pension costs on the General Fund annually, without risking the principal by making a large lump sum deposit into the pension fund.

At the April 2018 meeting, the final motion adopted by the Finance Commission to endorse staff's recommended uses for the sale proceeds included the caveat that the City should adopt "a Resolution that would restrict the \$18 million allocation to make an annual payment towards the unfunded pension liabilities at a rate of \$1.8 million per year".

Please note that at the time this discussion took place (in FY 17-18) there were 10 years remaining in the amortization period to reach the targeted 100% funding ratio of assets to liabilities for the frozen General Employee Retirement Plan. Since the sale was delayed until December 2018, the FY 17-18 payment was made by the General Fund, and the FY 18-19 payment was made using a budgeted transfer of sale proceeds. As a result, the remaining amortization period to reach the full funding target is 8 fiscal years; this requires a reserve of \$14.4 million as of October 1, 2019 (8 x \$1.8 million).

Attached for review and discussion on May 8, 2019 is a draft Resolution which designates a General Fund committed fund balance in the amount \$14,400,000 to be used annually for the next 8 fiscal years, beginning on October 1, 2019, for payment of the General Fund's portion of the actuarially determined contribution for the frozen General Employee Retirement Plan.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERO BEACH, FLORIDA, DESIGNATING A GENERAL FUND COMMITTED FUND BALANCE RESERVED FOR THE PAYMENT OF UNFUNDED PENSION LIABILITY; PROVIDING FOR THE RELEASE OF EXCESS FUNDS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Vero Beach (hereinafter “City”) completed the sale of its Electric Utility to Florida Power and Light on December 17, 2018; and

WHEREAS, the City Council of the City of Vero Beach (hereinafter “Council”) desires to use the proceeds of the Electric Utility sale to enhance the City’s financial position and mitigate the impact of the sale on its general government operations; and

WHEREAS, the City has an unfunded pension liability associated with its frozen defined benefit General Employee Retirement Plan which has an amortization period of 8 additional fiscal years to reach full funding; and

WHEREAS, the remaining amortization of the unfunded pension liability allocated to the City’s General Fund requires the payment of actuarially determined contributions in the amount of approximately \$1.8 million annually from the General Fund; and

WHEREAS, the Council finds that reserving a portion of the Electric Utility sale proceeds as a committed fund balance for the payment of the General Fund’s annual pension contribution is in the best interest of the City,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VERO BEACH, FLORIDA, THAT:

Section 1 — Adoption of “Whereas” clauses.

The foregoing “Whereas” clauses are hereby adopted and incorporated herein.

Section 2 — Designating a General Fund Committed Fund Balance for the Payment of Unfunded Pension Liability.

The City Council of the City of Vero Beach hereby establishes in the City’s General Fund a ‘committed’ fund balance in accordance with the requirements of GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” in the amount of \$14,400,000 to be funded by a transfer of unrestricted cash from the Electric Utility fund. This committed fund balance is to be used annually for the next 8 fiscal years, beginning on October 1, 2019, for payment of the General Fund’s portion of the actuarially determined contribution for the frozen General Employee Retirement Plan for each fiscal year.

Section 3 - Release of Excess Funds

If the City’s General Employee Retirement Plan defined benefit pension plan is funded at 100% or more, as determined by the annual actuarial valuation, in any fiscal year prior to the remaining 8 year amortization then any residual funds in this committed fund balance may, at the discretion of Council, be released into the General Fund unrestricted fund balance.

Section 4 — Effective Date.

This Resolution shall become effective upon final adoption by the City Council.

This Resolution was heard on the ____ day of _____ 2019, at which time it was moved for adoption by Councilmember _____ seconded by Councilmember _____, and adopted by the following vote:

Mayor Val Zudans _____

Vice-Mayor Anthony W. Young _____

Councilmember Laura Moss _____

Councilmember Robbie Brackett _____

Councilmember Harry Howle, III _____

ATTEST:

CITY OF VERO BEACH, FLORIDA

Tammy K. Bursick
City Clerk

Val Zudans
Mayor

Approved as to form
and legal sufficiency:

Approved as conforming to
municipal policy:

Kira C. Honse
Interim City Attorney

Monte K. Falls
Interim City Manager

Approved as to technical requirements:

Cynthia D. Lawson
Finance Director