

**MINUTES
CITY OF LAKE WORTH BEACH
CITY COMMISSIONER WORK SESSION - BUDGET DISCUSSION
BY TELECONFERENCE
TUESDAY, JUNE 9, 2020
IMMEDIATELY FOLLOWING THE SPECIAL MEETING**

The meeting was called to order by Mayor Triolo on the above date at 7:42 PM by teleconference from City Hall, 7 North Dixie Highway, Lake Worth Beach, Florida.

ROLL CALL: Present were Mayor Pam Triolo; Vice Mayor Andy Amoroso; and Commissioners Scott Maxwell, Omari Hardy and Herman Robinson. Also present were City Manager Michael Bornstein, City Attorney Christy L. Goddeau and City Clerk Deborah M. Andrea.

UPDATES / FUTURE ACTION / DIRECTION

Revenue and Expenditure Review of all major Funds

Bruce Miller, Financial Services Director, said that there would be a high-level analysis based on a static revenue presentation. He stated that this would give an overview of how the budget was impacted by the economic uncertainty. He said that the ad valorem would increase 1.06% according to the County.

He spoke about the revenues in the General Fund, which would increase by \$638,000 with the CRA allocation to \$9,400,000, local receipts which were ten percent of the revenue, passthrough revenue from the State would be known in a few weeks, Intergovernmental and Transfers which were not in City control. He opined that there would be a cash flow impact rather than a loss of income if there was another wave of the pandemic. He said that there could potentially be a \$300,000 per month impact of COVID was uncertain and that the City would borrow money as protection and develop strategies.

City Manager Bornstein stated that the City was projected to have above eight percent in property valuation increases, but a conservative six percent was used for projections. He said that there were Special Revenue Funds including building and permit fees, which would have a flat revenue; the beach facility provided revenue from parking and rentals.

Mr. Miller said that the City was up almost \$3.9 million, but there could be a potential monthly impact ranging from \$100,000 for the Building and Golf Course to \$330,000 for the Beach Fund and there would be more historical data as time progressed. He stated that the fund balances should be built up, but it would be difficult because of the pandemic.

Commissioner Hardy asked how the monthly cash flow assumptions had been determined and about the cash reserves on hand and the negative fund balances.

Mr. Miller replied that the assumptions came from historical data, but was more an art than a science. He said that there was not flexibility in the Special Revenue Funds because the fund balances were low. He stated that there were different fund balance categories and that retained earnings did not equal money in the bank. He explained if there were a deficit in a fund, the money would come from the General Fund and would be owed back. He said that there would be fund balance policy written to address the issues with the different funds.

City Manager Bornstein clarified that were there fundamental improvements to be made to the golf course business, such as bringing in a private golf course developer to make it a revenue generator. He said that there were infrastructure problems that the City had not been able to address.

Commissioner Hardy opined that the City should confront the financial issues in the funds and address its underutilized assets.

City Manager Bornstein replied that it was difficult to reprioritize infrastructure issues. He said that there were issues that had been neglected for 20 years that the City was trying to improve.

Commissioner Robinson said that the City might have to invest to get income and it might be worth hiring someone to find ways to generate more income.

Mr. Miller spoke about the revenues for the Enterprise Funds (Electric Utility, Water Utility, Wastewater Utility, Stormwater Utility and Refuse Enterprise Funds) reporting that the revenues would be flat. He focused on the budget drivers for the expenses, which included salaries, health insurance and benefits, pension contributions, net operating expenditures, Information Technology, Property and Liability Insurance, Debt Service and Capital Repair and Maintenance. He stated that there would be increases in all categories.

Mayor Triolo asked about the pension contribution for PBSO.

Mr. Miller said that the pension was closed to new police officers and would be closed out in 18 years.

Commissioner Hardy asked about the differences in the projected revenue and expenditures in the General Fund, about the pension expenses for PBSO and how the contract was negotiated.

Mr. Miller reminded the Commission that there would be different iterations of the budget, which would include new revenue projections from the County and the State. He said that he looked forward to being able to add money to the different fund balances. He said that the City had no control over the pensions.

City Manager Bornstein replied that the contract with PBSO was all-inclusive and the City was obligated to carry some pension from the previous Lake Worth Police Department.

Mayor Triolo stated that there were not many officers left in the old pension, which would sunset. She replied that the Finance Director and City Manager would negotiate with PBSO based on the City's financials.

City Manager Bornstein stated that the City received a letter from PBSO with the projected increase after which negotiations would ensue. He said that the Commission had voted to add more deputies several years ago at the beach and parks for public safety and PBSO was paying for a code officer.

Mayor Triolo requested receiving the Calls of Service statistics, which although it was higher in LWB, the City paid less because it was a smaller city.

Mr. Miller went over the discretionary versus non-discretionary expenditures, which did not allow for much flexibility in the budget and showed how tight the discretionary spending was. He said that the Building Fund would increase by \$43,000, the Beach Fund would increase by \$115,000, the Golf Fund would increase by \$25,000, the Electric Utility would increase by \$3.24 million due to the increase in debt service for the system hardening and the refinancing of existing debt and could change.

Ed Liberty, Electric Utility Director, said that revenue would grow and expenses decrease because of the power purchase agreements.

Mr. Miller continued with the same growth factors for the other utility funds stating that the Water Utility would increase by \$1.115 million including the debt service, the Local Sewer would increase by \$947,000, the Storm Water Utility would increase by \$447,000 and Refuse would increase by \$177,000. He said that the City would work with the Directors to see how to decrease the expenses to move towards a surplus in the fund balances.

Commissioner Hardy said that the Commission should know what the real consequences would be to cutting the budget.

City Manager Bornstein stated that the Library staff was working full time but the library hours were cut to facilitate the new direction of the programs.

Lauren Bennett, Leisure Services Director, explained that Library staff were bringing the library to the community to reach more people rather than waiting for people to come to the library.

Mr. Miller said that the Building Fund was very healthy and was projected to have a surplus, the Beach Fund broke even last year and a deficit was projected, the Golf Fund projected a deficit and the Utility Funds were waiting for the rate analysis to be completed.

Mayor Triolo asked Mr. Liberty if there would be an update regarding the non-payment trends and when FPL would resume cutting service.

Mr. Liberty replied that the expected revenues should increase and the EU would not

add more debt service than it could afford. He said that approximately 15% of all utility bills were in arrears and were increasing, totaling \$980,000. He stated that some customers were paying their bills and that FPL could resume cuts on July 1.

City Manager Bornstein stated that there would be a survey of when different muni-providers would resume cuts.

Commissioner Robinson asked when the rate study would be done.

Mr. Liberty responded that they were waiting for the audited numbers and there would be indications, but the final study would take a few months.

Commissioner Hardy asked if there were differences in the numbers Mr. Liberty presented at EU meetings and what was shown in the budget work session.

Mr. Liberty replied that for budget purposes, the natural gas numbers were conservative.

Mayor Triolo stated that the deficit was for all of the utilities combined, not just the electric.

Mr. Miller said that the purpose of the conversation was to see the impact of expenses on the budget and that fund balance would not be used to prop up the budget. He said that the next work session would have the Capital Budget and ongoing maintenance and repair. He announced that he had hired some new employees who were working on the budget process.

ADJOURNMENT:

The meeting adjourned at 9:15 PM.