

Minutes of the Regular Meeting of the City Commission of the City of Auburndale held March 19, 2018 at 7:00 p.m. in the Commission Room of City Hall, after having been properly advertised, with the following members present: Mayor Tim Pospichal, Commissioners: Dorothea Taylor Bogert, Keith Cowie, Richard Hamann, and Bill Sterling. Also present were: City Manager Robert R. Green, Finance Director/City Clerk Shirley Lowrance, City Attorney V. Patton Kee, and Police Chief Chris Nelson.

Mayor Tim Pospichal declared a quorum present and the Meeting was opened with prayer by Pastor Peg Roy of the First Presbyterian Church and the salute to the flag.

Motion by Commissioner Richard Hamann, seconded by Commissioner Dorothea Taylor Bogert, to approve the City Commission Minutes of the March 5, 2018 Meeting. Upon vote, all ayes.

City Manager Green introduced Keith Merritt.

Keith Merritt said he knows most of you from having served on the Lakeland City Commission. He thanked the Mayor for giving him a few moments. He said he wanted to reintroduce himself and has been in Lakeland since 1975, served in the Navy, went to Florida State and got his Law Degree and MBA there. He said he has been serving the community ever since. He said he has been a lawyer for 18 years and is looking to be a Circuit Court Judge for Polk, Hardee, and Highlands County – the 10th circuit. He thanked the Commission for the time.

Brian Toone, Director of the Tuesday/ Thursday Pickleball Gang, thanked the City Manager, Parks and Recreation Director Cody McGhee, and the staff for the wonderful job they do. The Pickleball Gang consists of over 200 members, from age 13 to 90. He thanked the City for the four new nets. The Tuesday/Thursday gang has happily given to the City of Auburndale Firework's Fund each year. Over the years, they have given \$619, \$1,000, and \$1,300. This year the Pickleball Gang have \$1,500 to provide for the Fireworks Fund. He introduced other members of the Gang: Ilene Toone, Joan Burkes, Mr. and Mrs. Nickums, and Mr. and Mrs. Sherman.

Assistant City Manager Jeff Tillman presented a ten-year longevity plaque to Derek Morehead. He said Derek works in Public Utilities and does a great job. Derek introduced his wife Candace and 3-month-old daughter Tyson.

Police Chief Chris Nelson presented a ten-year longevity plaque to Corporal Robbie Craig and a 15-year longevity plaque to Randy Wise. He said Robbie reached the status of Master Officer in 2016 and Corporal in the same year. He said Randy takes care of the Police Department and City Hall facilities. Randy introduced his wife, Tami.

Fire Chief Ronnie Hall presented Tony Ezell with a 15-year longevity plaque. He said Tony oversees the EMR program - high school students program. He helps train and show them our procedures. Tony introduced his wife, Debbie.

Parks and Recreation Director Cody McGhee presented Darrell Thomas with a 35-year longevity plaque. He said Darrell worked at the Auburndale Softball Complex for many years and recently was moved to the Parks Division. Darrell introduced his wife, Debra; mother, Dorothy; daughter, Tamika; and the grandkids.

Mayor Tim Pospichal said you are looking at 85 years of working for the City of Auburndale, between those five gentlemen. He thanked them for their service.

1. PROCLAMATION FOR CHIEF RONNIE HALL DAY – FRIDAY MARCH 23, 2018

City Manager Green said Fire Chief Ronnie Hall is retiring from the City of Auburndale effective March 23, 2018 after nearly 33 years of service with the City. He was hired in August 1985 as a Service Worker in the Sanitation Department and transferred to the Fire Department in 1989. He has served as Fire Chief since March 2015. The proposed Proclamation proclaims Friday, March 23, 2018 as "Chief Ronnie Hall Day" in the City of Auburndale. A ceremony and reception honoring Chief Hall will be held on March 23rd beginning at 4:00 p.m. at the Fire Station.

City Attorney Kee read the proclamation for Chief Ronnie Hall Day (March 23, 2018), in full.

Mayor Tim Pospichal said that was 118 years of service with six people.

Mayor Tim Pospichal asked if there was any request from the General Public. There were no requests.

2. PRESENTATION OF FY 2016-2017 AUDIT – MIKE BRYNJULFSON

City Manager Green said this evening Mr. Mike Brynjulfson will present the FY 2016-2017 General Purpose Financial Statements and the Auditor's Report. This Report is for the City's Fiscal Year ending September 30, 2017. The City's Finance Director, Shirley Lowrance has prepared the Management's Discussion and Analysis (MD&A) section located at the beginning of the Audit. This section allows City Staff to provide an objective and easy to read analysis of the City's financial activities. The Audit is also made available on the City's website at www.auburndalefl.com. The Auditor's Management Letter located at the end of the Audit is where the Auditor reports any findings or concerns. City Staff is pleased that the Auditor identified no significant deficiencies and is in compliance with the requirements of laws, regulations and grants.

Mike Brynjulfson, President Brynjulfson CPA's, said they are the City's external auditors and he was here to go over the results of Audit for 2017. He held up the 81 page Audit and said there is something interesting on each page, which he could go over. He said to explain the Audit he prepares the handout, which sifts the most useful information from the Audit. He said we will look at both Funds and two numbers in each Fund – we will look at four numbers. What people do when they get the Financial Statements is go to the back to look at the Auditor's reports. His handout summarized the main reports for the Audit: Report on Financial Statements (page 1-2); Report on Internal Control and Compliance (pages 76-77); Compliance Report with Sections 218.415 FS (page 78); Management Letter (pages 79-80); and Governance Letter (separate letter). Report on Financial Statement (page 1-2), was an unmodified Audit Opinion, a clean audit opinion, which is the highest level of assurance we can give you as auditors that the Financial Statements are free of any material errors and presented in conformity with the Accounting Standards set. He said the financial statements are a fair representation of what actually happened. The Report on Internal Control and Compliance (Page 76-77) is required by the Government Auditing Standards. The report would comment on any material weakness in internal controls identified or noncompliance. He said there are no internal control deficiencies and no instance of non-compliance to report. As shown on page 78, the Compliance Report is required by Auditor General. The auditors are required to audit the City's Investment Policy and their Investment of surplus money. He said there was no instance of noncompliance, with FS 218.415. The Management Letter is required by Auditor General and provides the auditor an opportunity to report internal control deficiencies that are not as significant. He said there were no findings reported. The Governance Letter is a separate letter not bound in the Audit Report. The Governance Letter is a report directly to the Commission. He said there were no findings, no problem getting the Audit completed, no disagreements with management, or difficulties encountered while performing our audit. He said that is five Reports - all clean, no findings. He said congratulations on that. He said those five reports represent the Audit. He said the Accounting

Standards require the City to split Funds into Governmental Activities (General Fund and Community Redevelopment Fund) and Business Type Activities (Enterprise Fund). He went over the Balance Sheet, which is a statement of position, as of the end of business on September 30, 2017. He said it is a snap shot at the end of the year. The Fund Balance is the net worth of the City – Assets minus expenses. For the General Fund, the Fund Balance was \$7,210,666; however, there are restrictions for debt service. The Unassigned Fund Balance was \$4,740,103, an increase of \$534,058 over the prior year. He said we want to compare the Unassigned Fund Balance to the peers, as a percentage. The formula was Unassigned and Assigned Fund Balance divided by Total Expenses. Last year the City was at 19% and the 2017 value is 25.7%. He said the City has about a three-month cushion of the revenue, if everyone stopped paying, which was a healthy cushion. The comparison was for like size cities in Florida and the peers inside Polk County are: Bartow, Haines City and Lake Wales. The minimum you want is 15%. The Government Finance Officers Association set best practices and they set a floor at 15% minimum. He said he recommends the ballpark number of 25% and you can see on the chart, the City has been steadily increasing from 3% to 25.7%. He said he thought it was important to point out the millage rates of the peers – State millage 6.2 and Local peers 6.24 – about 40% to 50% higher than the City of Auburndale. He said congratulations - that was a good number. The City set its own Fund Balance Policy and it is a little different in calculation, which he likes. The City looks at next year's budget and we want to have 17% or two months of next year's operating funds set aside. The 17/18 operating expenditures less capital outlay is \$17.6 million and 17% of that is \$3 million and the City had 27% of \$4,740,103 in Unassigned Fund Balance. He said this was well above the City's Fund Policy. He spoke of the General Fund components: revenue and interfund transfer from the Enterprise Fund. The portion of interfund transfers is getting smaller, which is positive. The City does not want to be too reliant on the interfund transfer. He went over the Activity Statement for General Fund and said in 2015, the City issued bonds and brought in \$4.5 million in funds for the Lake Myrtle Baseball Expansion. They do not consider bond financing or the interfund transfer as revenue. Revenue is something received from outside the City. The question is how much money after revenues is the City short in funding its expenditures -- \$2,378,342 or negative 15%. For every dollar of revenue, the City needed to go somewhere else for the 15 cents and the City makes that up in the interfund transfer. The interfund transfer is \$3.2 million. This gives a good idea of how much the General Fund relies on the Enterprise Fund. He displayed the chart of Excess of Revenue over Expenditures, which did not include capital outlay. The large decline in 2016 was for the Lake Myrtle Sports Complex Expansion. He said this was a very positive indicator with the City's up-trend. The City was ahead of the State peer group and for the most part the local peers. He said the City has a good Fund Balance and is in a good financial position at end of year for the General Fund. He went over the Balance Sheet for the Enterprise Fund and the Net Position or Fund Balance was \$3,075,381 as opposed to \$1,766,663 last year. For the calculation, he uses the unrestricted revenue divided by the operating revenue (\$12.1 million) or 25% operating revenue. This gives the City three months of operating revenue, already set aside at the beginning of the year. He displayed the chart of Net Position as a Percent of Revenue with the City increasing from 15% in 2016 to 25% in 2017. In 2015, they did an interfund transfer to normalize the two funds. He said this was a very positive indicator. The City is adding customers annually and adjusting the rates to keep up with inflation. He said in Auburndale, the City's Enterprise Fund shines for Profitability. The Operating Revenue was \$12.1 million and the Operating Expenses was \$8.3 million for a gross profit of \$3.7 million. For every dollar of revenue that comes in the Enterprise Fund, you have 31 cents for pay principal and interest on debt and make the interfund transfer. He said the Cash Flows are most important on the chart. The Cash Flow for 2017 was \$1,030,664. He said this was a positive indicator. He said these are the four numbers he looks at in the Financial Statements. The financial position of both funds and both are at about 25% of operating metric number, after capital outlay the General Fund has been self-sufficient for the last three-years, the Enterprise Fund has really turned around its Cash Flow – to \$1,030,664. He said this was very positive and he did not see any problems built into those numbers. He went over the graph of millage rates for Polk County cities. He went over the Unrestricted Cash and

Investment, which showed the trend of unrestricted cash. The combined City Funds showed \$8 million as Unrestricted Cash at the end of the year. He said this was very positive. He went over the list of items he created of things that affect the City's financial statement. He said the new Net Pension Liability standards require the unfunded portion of the pension plans to be placed on the books. In 2017, the number was \$13,500,000 and in 2018, the number will be \$12,140,000 due to investment returns. Currently the City pays for the Other Post-Employment Benefits on a pay as you go method. The GASB (Governmental Accounting Standards Board) will require the liability for the retiree health care plan to be placed on the books in 2018 – and estimated \$7 million to \$8 million. This new requirement will add four to five more pages to the Financial Statements. He said for the Bond Refinancing, the City had two debt issues in the Governmental Activities that were refunded in October 2016. For the difference in Cash Flow, the City will save a little under \$1.2 million because of that refinancing and the lower interest rate. At the end of 2016, there were two Bonds Refinanced and one went into the prior year and one into this year. The prior year refinancing saved \$3.3 million dollars. He said he learned about refinancing bonds from working for the City. He said since 2010 the City has refinanced three separate times, saving a total of \$4.9 million in interest. He said he went back to 2010 and if you were to add up the debt to maturity – principal and interest it was \$93 million. As of today, the debt is \$72 million. He said this was substantial – 22% decrease in the debt to maturity. He said 44% of that declined or \$15 million was due to interest savings. He said it was significant savings for the City going through that work – it is cumbersome and not fun. With the new tax law that went into effect, it will hurt the activity for refunding bonds, as they made refinancing taxable. A bond directly for a project is non-taxable; however if you refinance it is taxable. The City has really made some significant savings doing the refinancing over time. He went over some of the significant Capital expenditures: PK Avenue Project (\$1,386,800), Youth Baseball Field Planning (\$156,500), Youth Football Planning (\$37,458), Street Resurfacing (\$1,230,000), General Fund Machinery and Equipment (\$428,000), Land Swap (no value change), Reuse Tank (\$627,200), Utility Line Relocation for PK Avenue (\$335,000), Lift Station and Clarifier Improvements (\$530,000) and Enterprise Fund Machinery and Equipment (\$83,505). He thanked the City for all the hard work they do. He said they make it really easy to do the audit every year. He said there is a lot of work to close the books and get the City ready to audit. He said almost every number you see has a separate schedule, detail, or allocation schedule. He said the City does a great job in doing that.

Commissioner Richard Hamann said he answered my standard question this year. His question normally is "is there anything we should be aware of". He thanked Finance Director Shirley Lowrance and all the employees of the City for being so mindful of the finances of the City. He said the City Manager and staff do an outstanding job.

City Manager Green said we look at the audit as being one of the report cards we get. We certainly appreciate Mike's thoroughness. They spend several months with us at year-end, the midterm audit and checking everything. He said he appreciated Commissioner Hamann's comments, as the City's philosophy has always been if we do not have it we do not spend it. He said the other report card we got that he is very proud of is the City's Bond rating, which is like our credit score, improved this past year. The rating increased from A- to A. This is significant when you go out and make that bond issue. He thanked Finance Director Shirley Lowrance and her staff for the job they do in keeping all that straight.

Commissioner Bill Sterling asked about the software.

Mike Brynjulfson said the City's software is still one of the best that he works with. Most cities that he works with use ADG. He said in April, the City is upgrading to the newer module of ADG. He said it is the same company just a different platform. All other City software has been updated to this platform. He said he has had great success using the new platform. He said he really liked ADG.

City Manager Green said staff would recommend approval and acceptance of the Audit Report.

Mayor Tim Pospichal asked for public comment. There was no public comment.

Motion by Commissioner Richard Hamann, seconded by Commissioner Bill Sterling, to accept the presentation of the FY 2016-2017 Audit. Vote all ayes.

Meeting adjourned at 8:01P.M.

I HEREBY CERTIFY that the foregoing Minutes are true and correct.


Shirley A. Lowrance, Finance Director/City Clerk