

CRA CITIZEN ADVISORY COMMITTEE
OFFICIAL AGENDA
February 18, 2016
3:30 p.m.

Municipal Administration Building
City Manager's Conference Room
201 W. Central Avenue
Lake Wales, FL 33853

1. ROLL CALL

2. AGENDA ITEM

2.I. Approval Of Minutes: January 21, 2016, Regular Meeting

Documents: [2016-01-21CCAC-FINAL.PDF](#)

2.II. Creating Objectives And Listing Priorities For FY'2016-2017

3. COMMUNICATIONS AND PETITIONS

Public participation is encouraged. If you are addressing the Commission, step to the podium and state your name and if city or county resident for the record. Please limit your discussions to five (5) minutes.

Note: The full staff memo will be incorporated into the official record

Minutes of the CRA Citizen Advisory Committee can be obtained from the City Clerk's Office. The minutes are recorded, but are not transcribed verbatim. Persons requiring a verbatim transcript may make arrangements with the City Clerk to duplicate the recording, or arrange to have a court reporter present at the meeting. The cost of duplication and/or court reporter will be the expense of the requesting party.

Persons who wish to appeal any decision made by the CRA Citizens Advisory Committee with respect to any matter considered during this meeting will need a record of the proceedings, and for such purpose may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is based.

In accordance with Section 286.26, Florida Statutes, persons with disabilities needing special accommodations to participate in this meeting should contact the office of the City Clerk no later than 5:00 p.m. on the day prior to the meeting.

**CRA Citizen Advisory Committee
Regular Meeting Minutes
January 21, 2016
3:30 P.M.**

MEMBERS PRESENT: Robin Gibson; Narvell Peterson; Mark Bennett, chairman

MEMBERS ABSENT: None

CITY STAFF PRESENT: Kenneth Fields, City Manager; Dorothy Ecklund, Finance Director; James Slaton, Public/Support Services Director; Clara VanBlargan, City Clerk

PUBLIC ATTENDANCE: Mike Brynjulfson, CPA, Brynjulfson Certified Consultants

Chairman Bennett called the meeting to order at approximately 3:34 p.m.

Agenda Item 1. ROLL CALL

Agenda Item 2. Approval of Minutes: November 12, 2015

Robin Gibson made a motion approving the November 12, 2015 meeting minutes as presented, Narvell Peterson seconded the motion, and the Committee unanimously approved.

Chairman Bennett provided an overview of the discussions made at the November 12, 2015 meeting and commented that the meeting was very informative.

Agenda Item 3. Discussion on the philosophy of the CRA and the need for Redevelopment

Mr. Fields said the total current CRA budget is approximately \$1.1 million, of which about 71% goes for debt service. It is paying off debt that was issued years ago and invested in the CRA area. There were two bonds issued, one in the late 1990s and the other in the early 2000s, which totaled about \$9.5 million. This covered a variety of projects, primarily infrastructure projects throughout the CRA area such as drainage improvements, beautification projects, lighting projects etc. It will be another 13 years before that debt is paid off.

Robin Gibson said the map given to him appears to show that the whole City is in the CRA area and asked which areas the projects were done. Mr. Fields explained the list of CRA tax increment bond projects shown on a handout distributed to the Committee and said they were all located somewhere within the CRA area. He said the list shows the status as of 9/30/10, which was all authorized use and appropriate projects according to the CRA plan. The projects are completed and the bonds have to be paid off. Mr. Fields then explained a handout distributed to the Committee, "Administrative Charges Rationale." He said the allocations are management costs that are done in the same methodology that has been used with every other fund and they are very consistent, and they change from year to year because the expenditure levels change from year to year. All funds pay those allocations.

Mark Bennett asked if there are any employees that are fully funded by the CRA and Mr. Fields said no, the allocations on the handout are indirect administrative management costs, such as utilities, IT, City Clerk, City Manager, and Finance. He said the last category on the handout show the direct costs, which are capital outlay expenditures that make up about 11% of the CRA budget.

Mr. Fields said this year when the Commission held its Commission/CRA budget priorities meeting in the spring it wanted to make an emphasis on demolition of unsafe structures and improve code enforcement within the CRA area. This year's budget for the CRA as approved by the CRA Board/City Commission allocated 75,000 to pay for demolition of unsafe buildings and a one-time code enforcement person to work only within the CRA area. That person has been hired and we are getting ready to authorize our first

set of demolitions. The paper work and legal work is going through to authorize that. The County has granted us an additional \$25,000 in their CDBG funds to do additional demolitions within the City. That was a priority set by the City Commission, they wanted to increase that. There was CRA money available to do that and it was part of the CRA plan.

Mark Bennett asked in regards to sidewalks if the City got its annual share of the County's pot. Mr. Fields said no, we go after our own pot. He explained that the C Street sewer project is a very large project. Phase I qualified under the state CDBG project and we received about \$400,000 or \$500,000 as a result of going through the state. Phase II initially did not make the cut this year but we hope to next year. The C Street project is about a \$6 million project. The City is funding the bulk of it and the state CDBG money helped. Because we are going after the state funding we are not able to get money from the County. However, it was discretionary money that the County gave to us for demolition.

Mr. Fields said that at the moment only a small amount of CRA funds are available for discretionary allocations. The debt service has to be paid first. Hopefully it will improve in the future.

Mark Bennett said the CRA debt has not had to be subsidized by the general fund and Finance Director Dorothy Ecklund confirmed so.

Robin Gibson asked if the CRA debt constructed anything that has enhanced the tax base. Mr. Fields said he can't answer that but a lot of it went into infrastructure to help support overall development. These projects were lined up and done long before he came here and Robin Gibson said he realizes that and we have to take the situation as find it and do the best we can with what we've got. Mr. Fields said his understanding is that some of the downtown improvements and beautification was done with the earlier money such as the bump outs and landscaping. Mark Bennett said he thought that was done with a FDOT grant. Robin Gibson said it was concluded in 1973 and was done with a 50/50 grant. There was a legacy of parks grants that we got with some work through Lawton Chiles Office and the other 50% came from a 10-year front foot assessment that benefited property. At the end of the 10 years we had a positive bank balance which went toward the main street program and it eventually led to the CRA Area 1. There was no CRA at the time that was done. Mr. Fields said he does not know where the 1999 money went and he does not have a project list in front of him. In the last couple of years there has been very little money available but we have tried to put some money in the downtown to upgrade it such as purchasing and replacing the benches in the downtown.

Mark Bennett said for background purposes that around 1990 there was some work done on Central Avenue that was paving and drainage related that resulted in the retention ponds going in down at the end of the lake. Then, in the 1995 and 1996 timeframe a FDOT enhancement grant was used to do the streetscaping and other improvements on Central Avenue. There was a sidewalk grant for the west side that we were able to get reallocated to fix up in town. Mr. Fields said he was surprised that the 2006 list showed all infrastructures and not more of the downtown kind of things that he was led to believe.

Mark Bennett said from the discussion the advisory committee had at the last meeting, he does not necessarily see a problem with using CRA money for infrastructure although he [Robin Gibson] looks at it more from a building renovation perspective, etc. It seems that in the past the philosophy was infrastructure focus. Mr. Fields said since he got here, there has been talk about what can be done downtown with the CRA. The two big ones that he had seen in other cities were streetscape improvements and some kind of incentives. The most common program was façade improvements where business owners and property owners needing to improve the façade of their buildings were eligible for zero percent interest rate loans, which helped to improve the appearance of their building to make it economically feasible. The other was tax incentives given to targeted businesses that agreed to certain terms. Up until this point, there has not been that kind of discretionary funding available but hopefully it will be in the future. The CRA revenue continues to decline and the infrastructure that is taking place now is being funded out of other sources such as with state revolving fund loans or utility loans, which is the biggest in the whole thing. One area where we are still lacking in good funding sources is street improvements in terms of paving, repaving, and striping etc., which is a countywide problem. There are problems with street improvements and street maintenance. The failure in the 1% sales tax hurt everybody in that respect. Mark Bennett said gas tax revenues should be used to fund road

improvements so CRA monies can be freed up for CRA things. Mr. Fields said we are not dependent on CRA funds for those types of operations. This year, it helped fund demolition and a code enforcement officer, which was a good sign. Hopefully, if revenue increases in the future, there will be money available for other kinds of uses such as in the downtown. In the CRA area there are lots of priorities that can be set, this year it is demolition and code enforcement. He'd rather see a vacant lot instead of a building that is falling down.

Mark Bennett asked Mr. Fields if he envisioned using CRA funding for the code enforcement officer next year or will that be switched over to the general fund. Mr. Fields said he does not know yet, he has to see the impact and its success and what the backlog is for demolition properties. Another thing to consider is the tax value as a whole and hopefully we will see some growth next year and some additional revenue coming into the CRA. It is too early in the process to see. The City Commission will probably start discussing their budget priorities in late April or in May and that gives the advisory committee a chance to come up with some recommendations and bring that forward to the City Commission in a workshop. Mark Bennett said he would like the committee to come up with a list of priorities within the next couple months. Mr. Fields said it doesn't have to be a set of priorities or a dollar number. The City Commission last year said they wanted their priorities to be code enforcement and demolition and then staff came back with a proposal to hire one code enforcement person and spend \$50,000 on demolition. The Commission adopted that. Narvell Peterson said he thinks that code enforcement and demolition is very important because where he lives there are many abandoned houses, etc. Mr. Fields said Navel's neighborhood will see a result of what they are doing this year. We will not own the properties but at least they will be cleared.

Robin Gibson said he puts a lot of emphasis on the word "redevelopment" because that is the key word in the CRA. To redevelop you have to tear down what needs to go so he agrees with the City Commission's decision, demolition and code enforcement. He said he had a lot to do with convincing the City Commission years ago into creating a CRA, which we were among the earlier applicants for the CRA. The Florida Statutes has probably been amended since then but at that time it was pretty clear that you just worked in a blighted area and the CRA plan redevelop that area. Then, as the values increased, the increments were to pay off the bonds. However, when the increment started coming in people suddenly perked up because things looked good all-around and it got out of control. Mr. Gibson said his focus is what is probably considered the original purpose of the CRA. The City has a primary responsibility for general fund revenue and to him that includes using it on infrastructure because the City is responsible for that regardless if it has a CRA or not although he realizes it is essential to redevelopment too. So, it is difficult to determine the City's responsibility and that of the redevelopment responsibility in order not to abuse the CRA. Mr. Gibson mentioned an article that was in the Ledger in February 2015 from a guy on the transit board explaining how the transit district was feeling the loss of money to CRAs. The guy wants money for buses around the county and said he thinks cities are taking their money and using it on city expenses whereas they could be using it on transportation instead. Robin Gibson said that is the first time he had seen it in print and as a lawyer he has been living in fear of that for 30 years and that his hopeless bias is to concentrate on redevelopment, concentrate on redevelopment in areas already committed to that we made an investment in, and where we have historic infrastructure, which seems to be the purpose of the CRA. Mr. Fields said the perspective is always in the eye of the beholder and from the county's perspective they are losing money on the increment. From our perspective it is wonderful that we are picking up all that county money for the CRA.

Mr. Fields said the key thing to recognize is that the bond for the \$9.5 million was issued in 2005/2006 and at that point the CRA revenues were probably double from what they are today so they took on a debt load so when everything fell down they were barely covering it. We are just now getting back to the point where there is some discretionary funding is available. Mark Bennett said the problem in this City is the lack of infrastructure maintenance for years and years. Mr. Fields said on the utilities side we are catching up and are in decent shape that we can take on the expansion to the airport and on route SR60, etc. and eventually down Hwy. 27. It is not in the CRA area but it will add to the tax base. As CRA funding increases it should be the major source of funding for investments in the downtown for example. We have the flexibility with CRA funding that we do not have with the general fund. As the revenue grows in the future we can do economic development in the City. There are a lot of things we can do with CRA funding such as façade improvement loans, tax rebate programs for targeted businesses, etc. and other

problematic programs such as helping to fund the downtown main street organization. It is a typical mode for main street to be 1/3 government, 1/3 private sector, and 1/3 program raised funds for events etc.

Robin Gibson asked if there are any commitments to Longleaf Business Park in the way of bonds that are paid from the CRA and Mr. Fields said no and that he does not believe any of the infrastructure work at Longleaf was done with CRA funds. Mr. Gibson said he was told that Longleaf was in the CRA and it was going to be a tax increment generator and then Longleaf was removed out of the CRA. Mark Bennett said he was part of David Green's (former city manager) team at that time and the intent was to purchase that property, which was formerly the cooperative fruit property, and develop the business park on the west side. The east side was envisioned at one point as a recreational complex with a golf course etc. and all of which would be a cash count that would fund the rest of the CRA. So, he did not understand why they pulled Longleaf from the CRA.

Robin Gibson asked for clarification that the CRA was not liable for the bonds that created Longleaf. Mr. Field said Longleaf is not in the CRA boundary for tax increment purposes but the CRA was used to create Longleaf so when we sell property in Longleaf the proceeds of those sales go to the CRA. The actual owner of the property is not the City of Lake Wales but that of the City of Lake Wales Community Redevelopment Agency. Robin Gibson asked how Longleaf was paid for and Mr. Fields said he would have to check but it is his understanding that the City received over a million dollars in EDA grant funding, but there is no outstanding debt on Longleaf. The CRA owns the unsold property there and the City Commission sits as the CRA board to authorize the sale. The proceeds stay in the CRA. Robin Gibson said that is onetime proceeds. Mr. Fields said we should see steady growth in the CRA within the next two to three years that will allow us to be more creative and use that money in other ways.

Agenda Item 4. The need for an audit on CRA funds to explain where the CRA money has been spent and where that money is now going

Ms. Ecklund provided an overview of the finances and reviewed the information packet she distributed before the meeting, the first being the current CRA budget. She said the Finance Department only compiles the data provided to them. Every year when planning the budget the CRA budget goes directly to the City Manager. The Finance Department provides in the budget the allocations of the existing methodology, which was set up over 15 years ago when Kevin O'Leary was Finance Director. The methodology had to be consistent. If the Committee would like to change the methodology, it can be discussed. She said the CRA only pays a portion of the time spent by staff members on CRA related functions. Mr. Fields said the CRA pays some portion of the police officer that is dedicated to the Housing Authority and 100% of the salary of the new code enforcement person. Robin Gibson asked how many people worked in code enforcement and Mr. Fields said there are two field code enforcement officers, one of which is funded by the CRA 100% because that person only works in the CRA area. He said you are not allowed to replace City funded positions but you are allowed to supplement City services. The CRA person is not allowed to write code violations outside the City boundaries. Mr. Gibson said the CRA is the whole City. Mr. Fields said two people allowed us to get more demolition work done. Mark Bennett said there is a lot of City north of Mt. Cutoff Road such as Lake Ashton, the mall, and other subdivisions along Suzanne Road. Mr. Gibson said Lake Ashton has its own code enforcement, it is a HOA. Mr. Fields said code enforcement spends a large amount of time in Lake Ashton. He said we are only supplementing and that is watched closely by the outside agencies that come in and review CRA functions etc. Mr. Gibson said the CRA Citizen Advisory Committee will also be watching closely. Mr. Fields said the City mows property at Longleaf and that is owned by the CRA.

Ms. Ecklund explained the Balance Sheet included in the packet. She said it is a monthly financial statement to show the true position of the CRA as far as the Finance Department is aware of, which is what is received and what is spent. A copy is emailed to the advisory board. She explained that by the end of December the CRA has received all its revenue related to tax increment and ad valorem tax from the county. If not paid before January 1st the City and the County will be penalized for not paying it. Mr. Fields said January's tax roll is payable in November. Ms. Ecklund said CRA monies have to be in the bank by December 1. The CRA receives a check from the City for the full amount. We receive a letter from the County in August indicating adjustments that have to be made. When the money is received from the County in November she transfers the whole amount due to debt service. October 1 and

February 1 of each year is when the CRA debt is due. In October she pays the full amount of the principal that is due along with half of the interest and then in February she pays the other six months of the interest due.

Ms. Ecklund explained the "CRA Revenue History" and the "CRA –Debt Schedule" sheets included in the packet. Robin Gibson said we cannot do anything about what was done in the past. We have to go forward with what we have and do the best we can.

Mark Bennett said he would like to discuss the need for a CRA audit and Ms. Ecklund explained that the City has always had an audit. The CRA has always been a special revenue fund that has been audited within the City's audit. Ten years of audits are posted online and the CRA is clearly marked within those audits. She said she is happy to provide audits beyond the 10 years. Mr. Fields said municipal audits are not just the financial audit in the traditional sense such as the financial statements. Cities are also required to go through a compliance audit as part of that. He said he does believe the CRA is part of that compliance also. It is not just a line by line transaction.

Mike Brynjulfson, president of Brynjulfson CPA located in Auburndale, explained that his firm specializes in governmental auditing, works with almost every city in Polk County, and that he has a lot of experience with auditing CRAs. He said local governments have to be audited under government auditing standards, which require a compliance audit and the CRA has to be audited in accordance with the Florida Statutes. He explained the process and said you have to be independent to perform an audit and be outside the control of the city. They have to check for significant non-compliance and report any internal control deficiencies they may find.

Robin Gibson asked Mr. Brynjulfson where he would draw the line between what the expenditure should be for general revenue and for redevelopment in regards to complying with the CRA statute. Mr. Brynjulfson said they would look at every line item on the financial statements separately and the CRA plan. Mr. Gibson said the CRA plan is supposed to be based on the statutes so the plan is no excuse. He asked that as an auditor when auditing the CRA and it is found that the CRA is paying 100% expense of the police department, which is probably one of the most important aspects of a city and therefore a requirement to be funded out of general revenue, if that would be violating the CRA statute. Mr. Brynjulfson said yes. Mr. Gibson said there are general revenue expenses and CRA expenses that comply with the statute and asked Mr. Brynjulfson what standard would he use to draw that line in his audits. Mr. Brynjulfson explained that consistency is important and if the original plan is logical you usually just keep doing it but if he finds something outside the range he would interview the department to find out how much time they spend in certain areas and on certain things to determine if the allocation is reasonable. Sometimes you find the response to be, "We've always done it that way!" which is not reasonable. Mr. Brynjulfson said the CRA plan sort of supplements the statute but not override it. The statute has to be looked at first for compliance. Robin Gibson said if you build up the tax base and increase the increment then you are complying with the statute. Mr. Brynjulfson said a Board may not all agree but they can make a finding. He said when auditing CRAs he has found non-compliance issues such as when Bartow purchased some benches for its community center. That had nothing to do with the CRA and other issues where invoices that were not supported properly.

Mr. Fields said we are fortunate that the revenue trend and the debt service trend is in the right direction and over the next couple years there will be a lot of opportunity to address some things in the future such as in the downtown, which is currently a high priority, addressing infrastructure needs, and addressing the condition of the roads. There are a lot of deferred maintenance and a lot of things that need to be done. This year, we were able to get another code enforcement person and do some demolition, which is a proper CRA use. He said he will let the committee know when the Commission's priority setting session is so it can meet with the Commission to let them know what priorities and recommendations it might have before that meeting.

Robin Gibson said he read in the information given to him that money raised in a district can only be spent in that district and asked if we could combine the districts to eliminate that problem and said CRAs are a 30-year program but can be extended for 10 years and asked the status of that. Mr. Fields said there is a time period but he believes that CRAs at minimum exist through the life of any outstanding

debt. We are good for another 13 years. Robin Gibson said it is just statutory so that will probably change.

Ms. Ecklund explained that when this was redone in May 26, 1999 all the areas were dissolved and a new area was created. Although it became a whole new area, they did not force the base set for Area 1 to go to the 1999 base to be the new base. We have three CRA areas but they are one CRA. Mr. Fields said there are three base areas but one spending district.

Agenda Item 5. An update on the CRA plan and the future plans for the CRA

Mark Bennett said some of the things listed in the CRA plan have already been done so he feels the need to update it. The plan can be used as a document to come up with the general priorities and specific projects. He said now that staff explained what has been done in the past and where we are today, he recommends that the advisory committee at its next meeting have a discussion on the general philosophy and then at the same meeting or another meeting create a list of priorities that it would like to see implemented. It might take a couple meetings to accomplish that. Mr. Fields said the target should be for the committee to give the Commission by early May a list of recommendations on how to spend any available money next year.

Robin Gibson said there is a state organization that can help come up with some techniques that has worked for redevelopment of the built environment particularly the historic built environment. We need to do here what others places are doing with their CRAs. There are successful, professional techniques that have produced results and it would really be helpful if we had some of that to evaluate.

OTHER COMMENTS

There being no more business to discuss, Chairman Bennett adjourned the meeting at approximately 5:20 p.m.

ATTEST

Chairman/Vice-Chairman

City Clerk Clara VanBlargan, MMC