

**MINUTES FOR THE COMMITTEE OF THE WHOLE
OF THE CAPE CORAL CITY COUNCIL**

Monday, October 28, 2019

Meeting called to order by Mayor Coviello at 4:30 p.m.

Pledge of Allegiance

Roll Call: Mayor Coviello, Councilmembers Carioscia, Cosden, Gunter, Nelson, Welsh, and Williams were present. Councilmember Stout was excused.

BUSINESS

CITIZENS INPUT TIME

Luis Menendez questioned residents' taxes for the schools and why this topic keeps coming up every four years.

Kenneth Jenkins appeared in support of the Cape Coral Charter School program. He thanked both City Council and the Charter School Board Authority for their support of the program.

Jeff Lockhart discussed a concern on Santa Barbara Boulevard and Chiquita Boulevard during rush hour traffic. The issue is at Tropicana Parkway where north/south traffic has to stop whereas there is no traffic on Tropicana. He suggested a Police Department Volunteer help direct traffic in that area. Entrance into Christa McAuliffe Charter School is difficult. He was not in favor of the name change to Oasis North. In reference to Saratoga Lake Community Park, he mentioned lights were installed but are not working. He was expecting a call about the dredging services in canals.

Renata Menendez appeared in support of the Cape Coral Charter School program. She requested an explanation about the taxes that are paid for the Lee County School Board. Does money go to the Charter School for the building maintenance?

Joe Kilraine appeared in support of the Cape Coral Charter School program. He was interested in looking at the debt service as opposed to the ongoing operating deficit and would like to find an opportunity to fill that gap. He complimented the Police and Fire services in the City.

Renee Schihl appeared in reference to the FEMA money discussion today. The drainage and sewer systems are 50 years old in her neighborhood and are outdated. She requested the City update the drainage system, and she explained the drainage process in her neighborhood. The storm drain is the City's property, and the City is responsible for maintaining the storm drains. The condition is affecting her home, and her neighbors

are experiencing holes. The pipe is full of water and saturating the ground because it is broken.

Carolyn Jones appeared to discuss the City of Cape Coral Charter Schools. The lease cost of the buildings is too high. She reviewed the sports field process and the need for safety protections, with a football field like other high schools. She felt the stands are not safe, too. More students will come to the Charter School system if you had the same environment as the other area schools.

Gary Cerny appeared in support of the Charter School system.

Mayor Coviello mentioned he has attended games and is aware of the conditions at the athletic fields. He noted these topics would be discussed tonight. He inquired about the PICO money that the School District was holding.

Assistant City Manager Barron explained the \$1.6M PICO money. Three years ago, the Florida Legislature passed a law that required the School Districts to share some of the funds that they received via a millage that they apply on the taxes for capital improvements. The City of Cape Coral Charter Schools were allotted \$1.6M; however, most of the School Districts decided to challenge that State Law. It is still in the court; our Charter Schools held the money in case the court would rule against them. Since then, the State Legislature passed another law so the State will fund Charter Schools and provide capital outlay dollars. The City of Cape Coral was allocated \$1.5M by the State to be received every year, along with a CPI that is added in each year. If the Florida Legislature decides not to fund, then the School District will have to make up that difference.

Councilmember Carioscia asked that Jeff Lockhart's issues be addressed by staff.

City Manager Szerlag responded that Public Works Director Clinghan would speak with him.

Councilmember Nelson explained how the funding currently works, and why we keep having this discussion reoccurring. She was hopeful that after tonight's meeting everyone will have a better understanding moving forward.

Councilmember Gunter inquired about the State Statute that says that the County is supposed to give the City that money. He asked the City Attorney if we can compel the County to fulfill their Statutory requirements to pay us that money with the understanding that we would most likely put it in Reserves until the litigation process goes through? Why do we let them drive the ship with the Florida Statute?

City Attorney Menendez replied that she would send a response to all of Council.

Finance Director Bateman stated the school has the \$1.67M, but it is sitting in escrow. The details will be included in the upcoming presentation.

DISCUSSION

Charter School Discussion - Presented by City Manager Szerlag

City Manager Szerlag provided the background of the Charter School system with the following slide:

- Background – City of Cape Coral Charter Schools were created in 2005. When schools were established, the community was told that no General Fund dollars would be used to support the Charter Schools. However, no Ordinances nor Resolutions addresses this matter.
- The Charter Schools entered into a lease agreement where they are responsible for debt service (\$3.2 million per year for buildings) plus capital and O&M (e.g. HVAC and parking lots)
- Current Status – Due primarily to debt service, the business model for our Charter Schools are currently unsustainable; Data from Stantec will be presented indicating that the Schools will be below the 5% Fund Balance requirement by 2024; rendering them unsustainable (Mr. Napoli will present); Lee County School District Superintendent Dr. Greg Adkins advised that the School District would accept Charter School students but not the buildings – should the Charter Schools cease to exist (letter from the School District in packet)
- Current Status continued – The City is responsible for the debt service on all Charter School buildings, which carry \$61.2 million in debt including principal and interest (Vicki Bateman is available to discuss debt schedule.) According to EDO Manager Ricardo Noguera there is no suitable adaptive reuse for the Charter School buildings
- Not a Viable Option – It is not a viable option for the City to pay \$3.2 million per year or \$61.2 million for empty school buildings
 - City Created the Charter School Authority in 2005
 - Schools enhance the quality of life in City
 - All Charter Schools have an “A” rating
- Charter Schools USA (CSUSA): Financial Services determined through research and working with CSUSA that the City/Charter Schools has the ability to manage the system more efficiently and cost effectively (see memo from Financial Services in packet). CSUSA manages 5 charter schools in Lee County and none have “A” rating (Budget Administrator Chris Phillips is available to discuss).
- Recommendation
- Take steps to make the Cape Coral’s charter school system sustainable. This can be accomplished by:
 - a. Long term loan (lease restructuring) may turn into a subsidy contingent upon revenue/expenditures going out more than 10 years from now. Mr. Napoli can show various scenarios for sustainability.
 - b. Pay all or a portion of \$3.2 million in debt service via either a dedicated millage or General Fund budget. Dedicated millage: In today’s dollars \$1.5 million per year equals \$15 per year for a house valued at \$150,000. (0.1 mills) \$3 million per year equals \$30 per year for the same house. (0.2 mills)

- c. City does not charge for administrative staff costs associated with Fleet Management, Building Maintenance, Finance/Procurement/Budgeting, Human Resources, IT and Recordkeeping. However, we enter into a management agreement whereby the City manages all of these functions.
- d. Continue to work with the Lee County School District to explore possible new partnerships as it relates to the City's charter school system
- e. Conduct future COW meetings for Council direction as we progress

Peter Napoli, Consultant with Stantec Consulting Services, explained the following slides:

- Cape Coral Charter School Projection current long-term projection
- Cape Coral Charter School long term Projection with Support

Mr. Napoli shared a live version of the spreadsheet and updated scenarios for payroll and personnel escalation over ten years.

- Version 1 – City Makes Payments of \$1.5 million escalating 3% thereafter
- Next Steps: Permission to proceed; Questions

Councilmember Williams inquired about the \$1.5M from the State and was curious about the \$1.6M in escrow. What would happen with this whole scenario if we receive that \$1.6M?

Mr. Napoli highlighted the General Fund support. He added the escrow would be a one-time event and would not occur as an additional annual revenue source.

Councilmember Williams questioned taking out the General Fund support to subsidize.

Mr. Napoli responded in the affirmative. He stated he did not have it in the additional escrow yet. He reviewed the beginning balances showing the \$1.697M which was the restricted amount currently held in escrow because of litigation.

Councilmember Williams understood it would all eventually crash at the end, but the \$1.6M would delay that.

Finance Director Bateman explained that the \$1.6M would only mean that we would delay our support by one year. She stated our support was \$1.5M. There could be a lot of different scenarios.

Councilmember Williams asked for clarification that we would get the \$1.5M and if we won the lawsuit the \$1.6M.

Finance Director Bateman stated it would be only once.

Councilmember Williams understood it would only be once.

Finance Director Bateman stated this was a cash flow model. They combined the major revenue such as PICO, the \$1.5M, the FEFP, all in the revenue line, but that could be broken down.

Mr. Napoli added the \$1.6M to show the impact. It would only be a one-time cash flow of an additional \$1.6M. The first year there would be an additional \$1.7M at fund balance; however, it does not really change the trend of the cash flow deficit growing over the ten-year period. It can be calibrated, but it will require overall less \$1.7M of General Fund support.

Finance Director Bateman stated the cash flow model shows that we are giving support of \$17.2M. She opined that \$1.6M would reduce it down to the \$15.5M. It will not change the sustainability.

Mr. Napoli stated the \$17.2M is the ten-year total of General Fund support.

Finance Director Bateman pointed out that the main difference between this model and the previous budget is the care of facilities and capital maintenance. This budget is doing the maintenance, the capital maintenance, and the facility maintenance such as a/c units, painting, paving, etc.

Councilmember Williams asked if we were to re-negotiate the lease and decrease it by \$1.5M, would that solve this \$1.5M deficit?

City Manager Szerlag explained the scenarios:

- One would be a lease restructuring that would have the City of Cape Coral pay about half of the capital in debt about \$1.5M per year. That would equate to about 0.1 mill. This could be taken out of the General Fund. Mr. Napoli's model shows it should achieve sustainability for the first ten years. He believed sustainability could be achieved indefinitely, depending upon revenue sources.

Finance Director Bateman pointed out that the debt is over in 2038. The schools will have that whole \$3.2M. The plan that we have is for them to start paying the restructuring cost in 2038.

City Manager Szerlag stated even though the model shows the debt service will be paid full disclosure, the revenue line is not increasing as fast as the expenditure line in a functional budget. Even though the debt service will be paid, there will still be a deficit in that regard. That is going out ten years. He noted they could calibrate this every two years to make it last much longer. There is always the question of what will happen to school districts funding. The legislature may allow for charter schools to charge tuition base upon income guidelines. There are a number of things that could happen between now and then. He wanted to bring this to the attention of Council because now would be a good time, possibly at the next COW meeting or the one after that, once we answer all the questions to give Council a zone of comfort in making a decision. They can come back with great specificity on how we can structure this.

Councilmember Williams asked if the 0.1 millage figure coming out of the General Fund impacted all the residents in the City.

City Manager Szerlag stated General Fund millage impacts all residents. If you did not want to dedicate a millage, Council could direct him to take it out of future years budgets. At this point in time, one mill brings in about \$15M a year. The General Fund budget is about \$220M. The Charter School's budget is approximately \$28M. The entire Charter School's budget is about one percent of our entire General Fund's budget.

Councilmember Williams expressed concerns about taking money from the General Fund which takes money away from infrastructure such as sidewalks and streetlights. It impacts the whole population yet a small portion of the population benefits from the Charter Schools. This could start presenting problems. He was also concerned about the taxpayer that wants to send their student to a school, but it is full. How do you explain that to the resident?

City Manager Szerlag stated that if you compare the Charter Schools to the Golf Course and Sun Splash, we could tank the Golf Course and not lose any money. Sun Splash may have a little bit of a debt service left but nothing compared to the Charter Schools. If you tank the Charter Schools and don't subsidize it to some degree such as lease restructuring, it will cost \$61M to the taxpayers which is a lot more than on the sustainability models. Additionally, Cape Coral is a sustainable municipality. There are project growth models that can be controlled with our revenue streams. The Charter Schools cannot do that. If he has direction to restructure the lease payment so that there is a contribution by the City of Cape Coral for \$1.5M, he would be able to find sustainability in subsequent budgets without reducing the level of service in the other General Fund areas, as long as we did not reduce the millage rates to meet a level of service for the current General Fund operations. He stated what you may be faced with as opposed to paying \$3.2M in 2024 and 2025 until a \$61M debt is paid off, we could do something now that will help the Charter Schools to give confidence to the parents of the students. It is different than subsidizing an Enterprise Fund like the Golf Course and Sun Splash that could be closed down with limited cost.

Councilmember Williams supported the Charter Schools which is the gem of the City. If we had not dropped the millage to the rollback rate, would we have had enough money to solve this problem?

City Manager Szerlag stated the rollback rate was approximately .26 mills. He had recommended a reduction in the millage rate, and Council had approved the reduction. If there was no reduction in the millage rate in this budget and Council would not have reduced it further, the short answer was yes. He noted going forward he was confident that we would still have growth. Perhaps instead of reducing the millage next year, it could be kept the same and allocate that to the Charter Schools. It would be a good faith effort to assist in the Charter Schools, as well as a financial wisdom decision. The alternative is a lot more than what is shown on the slides.

Councilmember Carioscia asked how many students in total are we talking about?

City Manager Szerlag stated there were 3,150 students.

Councilmember Carioscia asked how many buildings does this impact?

City Manager Szerlag stated there were four buildings.

Councilmember Carioscia stated that Lee County Schools say they will absorb the kids but not the buildings. He questioned where they would put 3,000 kids.

City Manager Szerlag stated he would have to ask Dr. Adkins. He stated Dr. Adkins has agreed to come to a future COW meeting. He stated he will let him know in advance that we are questioning this. He understood that they would put the kids where they can. It was also his understanding that Cape Coral is now considered an upscale community. Even though we are growing and the people coming in do not have school-aged children, they are going in the unincorporated areas so that if there is a need to build school buildings, they would be outside our City limits. That can be better addressed by Dr. Adkins.

Councilmember Carioscia questioned how they would tell the people in a City of 200,000 that they would not build any schools there but in other places and move the 3,000 students to the other places.

City Manager Szerlag stated there was a letter attached from Dr. Adkins which basically says he will take the students, but not the buildings. He noted Dr. Adkins mentioned reasons for doing that which pertain to the construction methods of the schools.

Councilmember Carioscia asked if leasing the buildings through the County has been discussed with Dr. Adkins for placement of the children.

City Manager Szerlag stated the initial discussions were that if the Charter Schools were to close, would the School District absorb the buildings? The short answer was no. He stated that is where it left off. He stated it was mentioned that they would have periodic discussions and that they did have a good relationship with the School District to address this again. Moving forward, he stated we should have a meeting with Dr. Adkins to address Council's questions. He read from Dr. Adkins' letter, second to last paragraph: "Even with the major renovations and modifications, we would gain limited capacity and therefore cannot justify the acquisition of the City's sites as fiscally responsible utilization of funding." They will take the kids but not the buildings.

Councilmember Carioscia stated they just had a high school built for \$100M. He stated he could not see why we could not negotiate four buildings for \$61M. He stated certain schools are already overcrowded. How are they just going to take in 3,000 students without at least considering the buildings under some contract?

City Manager Szerlag stated if we do not do anything, there are still three years before the Charter Schools are out of business.

Councilmember Carioscia stated he did not want to wait three years. He wanted to start today regarding negotiations and see what can be done as far as leasing the buildings. Would the School District buy the buildings? How can this be worked out? He requested clarification of the PICO money. Was it \$1.5M every year?

Finance Director Bateman responded in the affirmative.

Councilmember Carioscia suggested that we don't touch the 3% for the personnel or we would lose our teachers to the Lee County School system.

Councilmember Cosden inquired about the lease restructure. Is it just the subsidy now that gets repaid eventually?

City Manager Szerlag explained the lease restructuring would essentially be a loan by a different name. The lease restructuring has a matrix that is part of the presentation constructed by Julie Santamaria, one of our financial consultants, who worked primarily with Vicki Bateman on this matter. The lease would do what the loan would do. The lease would be structured so that the Charter Schools would pay so much on the debt service, and they would continue to pay it back to us even after the debt was retired in 2038. In the financial world, it is called *due to and due from accounts*. It would drive the lease payments in a lease restructuring agreement. A slide was displayed titled "Version 1(a) – City makes payments of \$14 million declining to \$1.2 million, 10-year extension, no interest cost". The short answer is that we would still get paid back.

Councilmember Cosden asked how that corresponded to the Excel model that was displayed earlier in the meeting.

Mr. Napoli explained the displayed slide:

- Version 1(a) – City makes payments of \$14 million declining to \$1.2 million, 10-year extension, no interest cost

Finance Director Bateman stated there is a line in the model that has the support that we are providing which would be a debt schedule. The debt would be shared until 2038. Then the School would pay in 2039 and 2040, and they would start paying the City back. There is no debt after 2038.

Mr. Napoli explained that in the model they figured it actually needed to be a little bit higher than that. That is why it started at \$1.5M, instead of \$1.4M. The numbers that were calibrated to make it work for the Charter School Authority over the ten years would have to be re-calibrated in the amortization schedules provided by Julie. It would shift the burden more to the City's General Fund. A larger portion of the total debt service would be paid by the City's General Fund over the course of it.

Finance Director Bateman explained the General Fund support line in the model. She stated that line equates to what the City would pay towards the debt and keep them sustainable.

Councilmember Cosden stated what was being considered tonight is either a dedicated millage or a General Fund subsidy.

Mr. Napoli confirmed that statement.

Finance Director Bateman stated they started with an assumption of \$1.5M the first year with an escalation factor of 3 percent. They meet their fund balance up to 2030. It could be taken out of the General Fund as an additional subsidization or it could be done with a dedicated millage as proposed by the City Manager.

Councilmember Cosden stated she did support lease restructuring. She was not in favor of a dedicated millage or General Fund subsidization other than this. She also stated it was good to stop charging for the services which is another form of subsidy.

Councilmember Gunter agreed that what was mentioned by Councilmember Carioscia needs to be explored with Dr. Adkins. He stated they spent \$100M for one high school whereas we have \$63M in debt. They would be getting four schools. There are 3,150 that would have to be relocated. The influx couldn't be handled by existing schools. He wanted more information on that. We are helping them now, but we will get our money towards the end of that agreement. He would like to see exactly how long we need to get that money from them so that we are whole with what we are giving them between now and 2038. How long is that time period going to take?

City Manager Szerlag stated Peter can supply that information.

Finance Director Bateman stated the Charter School would take 10 years once that is finished. It's what would it take for the Charter Schools to pay us back in full.

Councilmember Gunter estimated it would take at least until 2048.

Finance Director Bateman stated it would be 2050.

Councilmember Gunter stated he wanted to make sure that we enter into some type of agreement with the Charter Schools. He agreed with the management agreement if we are going to incur this cost to make sure that the City is running the ship. Let the Charter Schools continue with providing an excellent curriculum, and the City will take of the finances if we are going to go down this path. He agreed with 30 years to pay back the note. He was not for the dedicated millage. The only way he would support it is if we put it out for a referendum vote. He opined that this could be done on a budgetary basis. We may be able to sustain this now, but we do not know what the future holds for us. Recalculating can always be done if it was done as a budget item. He liked that better

than the dedicated millage. He mentioned the subsidization of the Golf Course and Sun Splash over the last five years came to \$6.2M. He noted the request today was for \$7.5M over the next five years at \$1.5M yearly. He stated investing in the future of the kids and the educational process is much more important than the other two subsidies. He supported subsidizing and recalculating the lease agreement knowing that we will get the money on the back end. He addressed the Governing Board, knowing that they are at capacity for the two elementary schools. There is room for improvement at the High School; there is a need to look at how we could get that to capacity.

Councilmember Nelson concurred to point out the subsidies regarding Sun Splash and the Golf Course. She opined that these schools are a better investment for the future of our community. What was the financial plan back in 2005 when these schools were started? How did we plan to pay for this as a City? Just through the State funding? Was that the plan?

City Manager Szerlag responded that some research is necessary.

Councilmember Nelson stated it was pointed out during Citizens Input that this is discussed every few years. It would be interesting to see what that plan looked like.

Councilmember Nelson stated she was in favor of adjusting the lease agreement. That needs to happen. She noted when she first came on the Charter School Governing Board almost two years ago business operations was the first topic she discussed with the City Manager. What would it look like if we made the Charter Schools more of an arm of a department of this City? What would the cost be? She was also interested to see personnel costs. If the City did take over all business operations of these schools, what does the salary savings look like?

City Manager Szerlag responded that just ½ percent is huge in terms of the years of sustainability. He has always worked with staff to try to get to the 75th percentile of our peer cities. At this point in time, the number of 3% came from our Superintendent. The answer to the first question: if we did have a management agreement, we would use the same criteria and methodologies that we used to measure for Police and Fire. Then we could come to a realization of what that number should be. He stated we would also rely heavily on what Lee County School District is doing going forward. It would be more of a bellwether than any other area since someone could take a job without having to move. He noted they would be happy to do that. In terms of showing the different sustainability models, Peter had shown 3%, as well as 2.5% to show what ½ percent would look like. He could also show the model at 2%.

Councilmember Nelson stated she wanted us to be competitive with Lee County School District. We cannot have teachers leaving because we can't pay competitively. Her concern was how are we going to sustain that pay increase. If the City does take over all business operations with a management agreement, what does that salary savings look like for us as a City?

City Manager Szerlag stated he believed the entire Charter School budget is 66% personnel costs and that is why ½ percent or one percent makes a huge difference.

Councilmember Nelson asked how does that compare with the Lee County School District? What is their expense load in terms of personnel?

City Manager Szerlag stated he will do some research.

Councilmember Nelson stated that would be a good comparison to see. She asked that they look into the Pembroke Pines model for comparison too since they have their own municipal Charter Schools. She was not in favor of a millage increase to cover for the Charter Schools. It should be on a referendum to be decided by the residents. She asked Mr. Napoli if he saw anything on the operating expenses that could be better handled.

Mr. Napoli stated he could not speak to the operational efficiency of the Charter Schools. He stated he can only address the financial projection. He stated from all of the meetings between City management and Charter School Authority management, it seems like they have created as many efficiencies as possible in order to sustain operations for as long as they have because of the tight budget. They have an inability to control their revenues. He did not recognize anything that stood out as an opportunity to save additional operational costs. Operations only cover about 18% of their total budget. There is not a lot of room to save on their operations expenses, it is mostly personnel.

Councilmember Welsh mentioned the A rating of the Charter Schools. She concurred that the lease restructuring is key. She appreciated them bringing the solution here and following it all the way through to when the City is repaid. The problem is the fixed assets, not the operation of the school. If the City is going to do that, the City will become responsible for the administration of the money, especially if we get a AAA rating, it would probably allow for that. It would free up our educators to educate. A millage increase to the taxpayers should not be decided by Council. Additional revenue could be explored by Private Public Partnership (PPP). A partnership with Exxon Mobil could make our high school a STEM high school. There could be a large corporation that could give grants. She questioned how this could be researched and make Cape Coral attractive to a corporation to possibly pay off the debt or supplement the revenue of the school. Working with the EDO, it could provide jobs for our graduates from that school. If we made the school a fee-based school, she opined that it could be driven by the family income, so that no one would be locked out of a Charter School for lack of income. There could be a percentage of families that the child could go to that school for free based on their household income. Those that had a little bit more discretionary income could afford to pay something toward their child's education.

City Manager Szerlag stated he will get with the Charter School staff along with EDO Manager Noguera to take a look at a PPP having a STEM school and come back to the next COW meeting with answers. He stated he would provide updates as we progress. He stated fee based would have to be discussed with our Superintendent and the City

Attorney to see what we could charge legally. State legislation can always be modified. We could try to lobby for income-based tuition.

Councilmember Welsh mentioned renting out facilities for events on the weekends as other revenue sources. Do we do that?

Mayor Coviello reiterated that we want to look at the possibility of the District possibly acquiring the buildings. He noted that Dr. Adkins was clear in his letter that the use of the Charter School buildings to meet future need for capacity would require the District to renovate the facilities according to State requirements for educational facilities and standards. Charter Schools did not have to meet this when built. Additionally, the schools would need to be retrofitted with modified food service facilities, separated parent pickup lanes, and networking infrastructure, as well as discussion to be held regarding athletic facilities and additional parking. There would be millions of dollars on top of the debt.

Mayor Coviello stated he heard consensus is for lease restructuring knowing that the debt would be paid in 2038, then future payments would go toward paying back the amount of funds that we put forth in that period of time. He stated he wanted to verify the following:

- 1) That we would take over the maintenance of the buildings as the landlord and we would take over any cost associated with maintaining the buildings.**

City Manager Szerlag stated what we mentioned is that we would take over managing those areas. Mark Ridenour who works for Paul Clinghan is responsible for all the buildings that we have in Cape Coral. He noted that Mark provides him with what is needed, and it is placed in the budget. It would be the same with the Charter Schools. He stated that Mark would advise the Superintendent on what is needed. The School District would be responsible for writing the check on any operation in maintenance or capital. We would just provide a soft cost for the time we dedicate without a chargeback, as well as a portion of the debt service that would make them sustainable. Stantec would provide a schedule that goes to 2050. If Mark finds that air conditioning needs to be replaced at a cost of ½ million dollars, that would go into their budget.

Mayor Coviello stated we would just be supplying the management team suggesting that they make the change.

City Manager Szerlag stated it was the same with Fleet.

Mayor Coviello stated a typical landlord handles the maintenance. Because of the restructuring, we would leave that in place. We would be handling the cost of replacing the air conditioning or painting the building or other maintenance needed. That cost would stay with the Charter Schools.

City Manager Szerlag stated that was the intent. He explained the reason for utilizing the debt service which is a one-time capital expenditure. The maintenance would vacillate every year and would not go toward capital.

Mayor Coviello inquired if we needed a management agreement or can we just change the Ordinances that are in place.

City Attorney Menendez stated it depends on decisions that are made moving forward. Currently, a significant portion of the maintenance of the buildings in their leases are placed on the Charter School. While this is not being brought forward right now and staff is not recommending that change in the lease restructuring, staff was recommending a more definite viable way to restructure the lease by restructuring the lease payments. The City built the buildings, the City owns the land, the City has the debt. The City entered into a lease by which the Charter School pays as their lease payments the amount of the City's debt service. That can be revised to reduce that currently. Basically, low that at the back end of the lease. The question of the maintenance of the buildings is another provision in the lease which could potentially be revised. The leases could be restructured to reduce the amount of the maintenance that the Charter School would be doing and to shift that responsibility to the City as the landlord. She opined that the City Manager's concern was that amount could fluctuate.

City Attorney Menendez addressed another question about how a management agreement would work with the Charter Schools. The Ordinance that created the current structure provides that the City is able to require these Charter Schools to utilize the City staff in a number of different areas including but not limited to: Risk Management, Finance, Recordkeeping, Human Resources. The Ordinance also provides that when the City requires that those services be done by the City that the City would recoup the full cost of the City providing those services. That Ordinance can be revised to eliminate that full cost. Does full cost include pension and health insurance? She mentioned staff going to the Governing Board to request money for maintenance. Ultimately the Charter School budget comes to City Council for approval. She was not entirely certain how a management agreement would require the Governing Board to approve the cost to do every improvement. This is something to be explored for further discussion. At the very least, the Ordinance would need to be amended to address this issue of cost.

Mayor Coviello inquired about the General Fund support on the slide, where it starts out with \$1.5M in 2021, slowly increases to almost \$2M in 2030. Is that just a projection? That would be the amount that we would restructure the debt. Why does that have to escalate if the debt service is consistent on a year to year basis?

Mr. Napoli showed the impact of changing it to a flat \$1.5M.

Mayor Coviello asked why he added the cash flow surplus.

Mr. Napoli explained how the General Fund support starts at \$1.5M and it increases by 3% each year.

Mayor Coviello asked why we would increase that 3% if are putting money in towards the restructuring.

Mr. Napoli stated these were not the finalized restructuring numbers. This will provide the basis for restructuring the debt. We're trying to figure out what amount over the ten-year period would work to keep the Charter Schools sustainable. When you go forward with your direction with actually restructuring the lease payments, these numbers will provide the basis for Julie to restructure the lease agreement. It may not be these exact numbers, but over the ten-year period, the total obligation on behalf of the General Fund would match these numbers.

Finance Director Bateman stated she had asked Julie to provide ten scenarios. What would it be with interest or no interest? What if it is over a 10-year, 15-year, or 20-year period? She stated they picked one scenario.

Mr. Napoli stated over the next ten years if you total all of the General Fund support annually, \$17.2M will need to be contributed by the General Fund.

Mayor Coviello asked if this would go to 2038.

Mr. Napoli stated 2030. Once we create the amortization schedule representing the restructured lease payments, it will represent the total obligation of the General Fund. This financial model only goes to ten years out.

Mayor Coviello stated he understood that the debt will be fully satisfied in 2038. Then the payments after that will go towards the money we allocated over that amount of time to start giving back what was put in by the City.

Finance Director Bateman explained the displayed slide titled "Comparison of Analyses: Version 1(a) – City makes payments of \$1.4 million declining to \$1.2 million, 10-year extension, no interest cost. The debt would be all done by 2040. In 2041 the Charter School would be paying us back over a ten-year period. That could be changed to 15 or 20 years, whatever is reasonable.

Mayor Coviello asked if the actual numbers will eventually be presented.

Finance Director Bateman stated whatever is decided upon will end up in the financial model.

Mr. Napoli explained the confusion about the numbers when Julie ran them and when Stantec was engaged to run this financial projection. The number ended up a little higher so Julie will have to re-run this.

Mayor Coviello stated it was hard to predict the potential for what might happen in the future, whether it be giving a bigger dollar amount per student or an increase in enrollment. How do we protect whatever agreement we put in place? Would we have that option to annually review it and make adjustments if needed?

City Manager Szerlag stated his recommendation would be to take a look at this every two years, in conjunction with the Charter Schools and the School District. There are always changes in demographics, and there may be a need for Lee County to acquire one of those schools. We try to budget on items that we can control. If the district needs one of the buildings and it is agreed to do so, it would be that much more of a benefit to pay off the *Due to or Due from account* earlier. The lease agreement should have a calibration every two years based on a number of identified factors. He asked Mr. Napoli for his opinion about the following: You could go to any Charter School in the State of Florida and give a ten-year projection, and they are probably not going to look too good.

Mr. Napoli supported that statement. There will always be a continuous struggle with maintaining the expense because the revenue growth is so restricted by legislature.

Mayor Coviello stated he would like to see this laid out dollar-wise to 2050, provided things stay the same. He stated he would like the option every couple of years to make an adjustment in the restructuring.

Mr. Napoli stated all those schedules that will be extended to 2050 will be available. He will work with City management to provide those figures.

Mayor Coviello stated it looks like we have good support for the following:

- **lease restructuring**
- **overall management of the departments (Fleet, Finance, I.T., HR) other than the educational component**

City Manager Szerlag explained that he will invite Dr. Adkins to a COW meeting to answer questions asked this evening.

Councilmember Gunter stated this is a ten-year projection which averages about \$1.75M over that ten-year period. Is there any benefit by doing that right from the get-go? He stated he would like to see that at the next meeting.

Mr. Napoli responded that he could change the number now and changed the General Fund support number to an average of 1.72.

Councilmember Gunter asked to have the model go out to 2038 when the debt service is paid.

Mr. Napoli agreed.

Councilmember Gunter stated even though it is enticing to see personnel costs at 2 and 2 ½ percent, he stated to leave it at 3 percent. He asked to see the last five years of what the Lee County School District has been paying in relation to our teachers. What type of increases have they had over the last five years? Seeing the historic data over the last five years as far as pay range for teachers in the school district, as well as the increases that they have had in the last five years would back up keeping it at 3 percent.

City Manager Szerlag stated he would try to get a number from Dr. Adkins about projections for the next 10 years.

Councilmember Welsh stated looking at revenues vs. expenses, can we add another \$9M? Can we prepay the debt?

Mr. Napoli stated it was hard to perceive the difference.

Councilmember Williams inquired if there was a certain academic focus at the high school.

Superintendent Collins explained they have the AICE curriculum. This is the focus that helps students achieve full scholarships. There is not a STEM initiative, like we have at the elementary schools.

Councilmember Williams stated this could be an option for the corporation support idea.

Superintendent Collins stated she did not think that we have the capability yet in our City. We do apply for grants, and we have donors. She was unsure if that type of business is here in town. Grants are usually one-time, and they fund a particular effort. It would take a lot of research and preparation, way down the road.

Mayor Coviello asked the City Manager if he had a good sense of direction.

City Manager Szerlag responded in the affirmative.

Councilmember Nelson left the dais at 6:18 p.m.

TIME PERMITTING: Possible Uses of One Time FEMA Reimbursements - Presented by City Manager Szerlag and the Finance Department

City Manager Szerlag mentioned the discussion today was to review capital projects for possible uses of FEMA reimbursement revenue.

He presented slides that consisted of the following which was a listing of comments that were made during our budget sessions on the possibility of utilizing FEMA funds for these capital projects:

- Slide titled Previously Discussed Uses of FEMA Reimbursement Revenue
- Assisting the City's Charter Schools with Athletic Field(s) construction – estimated \$3 million to construct athletic facilities at the Oasis campus
- Funding additional median improvements throughout the City - \$1 million was discussed during FY 2020 budget workshops
- Funding additional sidewalks throughout the City - \$1 million was discussed during FY 2020 budget workshops, focus on sidewalks within two miles of public schools

- Funding a Seawall Hardship Special Assessment Program - \$1 million Special Assessment Revolving Fund, seawall failures due to Hurricane Irma, use same income guidelines used with the UEP
- Assistance with funding a new Fleet Facilities Building – Total Cost \$18 million, General Fund portion is \$9.2 million (51.3%), requesting study/conceptual design of \$175,000 and \$1,625,000 for design. He asked Council for prioritization; staff can provide tours of current Fleet Facility.
- Funding additional Disaster Reserves with the remaining balance of FEMA reimbursement.

Councilmember Nelson returned to the dais at 6:22 p.m.

Director Bateman discussed the following slide:

- FEMA Reimbursement Revenue
- The City has received to date: \$9,797,585
- The City has appealed a partial Category B denial: \$1,200,722
- Over the next 24 months, the City expects to receive: \$6,183,411
- Total expected reimbursement from FEMA: \$17,181,718
- Less: Requested Commitments - \$7,800,000
- Balance to City's Disaster Reserves - \$9,381,718

Director Bateman noted the Fire Chief had already provided information to Council that \$15M to \$20M should be in reserves which should be adequate for emergency disasters. Currently, there is \$6M, they were proposing the additional \$9.3M. She displayed a worksheet of all 19 FEMA projects. Every line item has to be worked through with FEMA on a Federal and State level, as well as the State Auditors. She stated the City files claims with the contractors first.

City Manager Szerlag asked for a sense of direction on how to proceed.

Councilmember Williams shared his preferences:

- No for Charter School Athletic Field construction, \$3M, questioned if GO Bond money could be used

City Manager Szerlag stated when they went to the public and indicated what we were going to do with the funding, it was restricted to neighborhood parks and regional parks. He stated once the Bond was approved, there would be a series of public input meetings which are still going on. The next step would be to bring all those parks to the governing body to approve the design and/or calibrate them. Specifications would then be developed, go out for bid, and then come back to Council for approval. The goal is to have everything completed by the end of 2021.

Councilmember Williams continued his preferences:

- Yes for funding \$1M for continued median improvements
- Yes for additional sidewalks

- Was not sure how the Seawall Assessment Program would work

City Manager Szerlag explained it would be a revolving fund that would eventually be paid back to the City. If someone met the qualifications, a Special Assessment would be deferred until they passed away or sold the property.

Councilmember Williams inquired if that affected everyone who has a seawall.

City Manager Szerlag stated it would depend on their income.

Director Bateman explained that they could take \$1M of the FEMA money and put it into a revolving fund for those residents who cannot afford to fix their seawalls. The resident would have to qualify under the criteria of the hardship program. In order to qualify for hardship, a family of four could have an income of up to \$66K; a family of two would be at approximately \$47K.

City Manager Szerlag stated if Council approved to proceed, they would get together with the Law Department to fashion a program that would come before Council for approval.

Councilmember Williams continued:

- \$18M for Fleet Facility – study/conceptual design of \$175,000 and \$1,625,000 for design for a total of \$1.8M too expensive

Public Works Director Clinghan explained that typically at this level we are looking at about 10%. The \$175K plus the \$1.62M is approximately ten percent of the overall cost. It includes the site work, everything that is involved with the Fleet Facility. This is typical engineering standard. Negotiations could try to get that cost down. A study is usually one percent, and a design could be as much as ten percent.

Councilmember Williams inquired as to the cost of the Police Station. Was it \$23M? He continued with his preferences:

- Yes to the funding of the Disaster Reserves, put as much as possible into that Fund

Mayor Coviello stated his preferences:

- Yes for the Athletic Fields, not just for Oasis, there are other youth groups that could utilize those fields
- Yes for the medians improvements plus median trimming
- Yes, for the sidewalks, questioned \$750K allocated in the budget for a new sidewalk crew, this money was in addition to that
- Need more information on the Seawall Hardship Special Assessment Program, was \$1M too much, maybe consider half a million, is anyone interested in using this program?

City Manager Szerlag stated he would get with Code Enforcement Manager Carr who has made personal contact with almost everyone who had a seawall issue.

Mayor Coviello continued:

- Fleet Facility, Was a study done to see if we do total maintenance, look at doing just streamline maintenance like tire rotations and oil changes in this Fleet Building, then outsource more rigorous repairs, Do we need an \$18M Fleet Building to do everything? or are we better served with a bay for oil changes and tire rotations?

Public Works Director Clinghan stated we basically do the oil changes, brakes, and anything we can. If there is an engine or transmission issue, those have to be sent out. There is a point system based on the vehicles to see if it is worth the investment, then get the replacement going.

Councilmember Gunter provided his preferences:

- Hold off on the Athletic Fields – awaiting the future of the steps to make Charter Schools sustainable. Supported the community athletic fields, not just football fields. Study to know what we need and what would be best moving forward for the school and the community
- Yes for median improvements, wanted to see the \$520K budgeted to be rolled over for future median improvements
- Yes for the sidewalks, concentrate and prioritize on those near the schools
- Opposed to the \$1M funding for Seawall Hardship Special Assessment
- Yes to the Fleet Facilities Building, current building built in 1959, this is a need and not a want, recommended every Councilmember take a tour, how much do we save by doing the work ourselves? Relocate it near the North RO Plant to be out of a flood prone area, can use it for staging area for Public Works, Police, and Fire during a hurricane event
- Yes for the Disaster Relief, put as much money as possible
- Because of growth in area, look at moving up building of Fire Station 12 by 1 year / utilize some of this money to jump start

City Manager Szerlag stated he would provide the capital cost and the personnel cost as well to advance it by one year.

Councilmember Nelson provided her preferences:

- Hold off on the Athletic Fields – awaiting viability of the Charter Schools; need soccer fields
- Yes for medians improvement – use the potential of Florida Friendly Landscaping - convert some medians or add to them to make them more Florida Friendly so they were not maintenance-dependent
- Yes for sidewalks – in critical areas
- No for funding of seawalls
- Yes for additional streetlights and sidewalks
- Yes for the Fleet Building
- Yes for Disaster Reserves

City Manager Szerlag stated regarding the Florida Friendly Landscaping, there are templates currently available that staff worked with the CTAC. He stated he will request that Director Clinghan advance that concept for consideration by that Committee.

Councilmember Nelson stated she never saw the templates.

Director Clinghan explained they secured the templates through the CTAC which was also part of the Adopt-a-Median. In November they should be closing that out, and the idea was to come back to Council with those templates and the Adopt-a-Median.

Councilmember Nelson questioned if they would still be able to improve existing medians and transition to that type of landscaping with minimal cost.

Director Clinghan stated not having a lot of money budgeted for the medians, the focus was on the major roads coming into the City to make it a tropical theme which would require irrigation.

Councilmember Nelson questioned if there was a way to have both such as permeable Astro-Turf to avoid mowing.

Director Clinghan stated they could bring that up at the next CTAC meeting.

Councilmember Cosden provided her preferences:

- Hold off on the Athletic Fields – awaiting the future steps to make Charter Schools sustainable
- Yes for the medians improvements
- Yes for the sidewalks
- Yes for Seawall Hardship Special Assessment
- Yes for the Fleet Building
- Yes for funding the Disaster Reserves

ROUND TABLE DISCUSSION

City Manager Szerlag distributed a memo to Council regarding the removal of the Yacht Club Beach Pavilion. Originally, Council approved funding to repair the roof, but then we realized the whole building had a problem. This is a request to actually tear down the building. There was a Resolution where we asked Council to fix the roof. This is under \$50K which he could do within his purview of authority. He wanted to get a consensus from Council that it would be okay to tear down the Pavilion. It was his understanding during the Concept Plan about the Yacht Club, it was mentioned that the Pavilion would be coming down. (Senior Public Works Manager Ilczynszyn concurred.)

Mayor Coviello stated he understood it would be coming down in February.

City Manager Szerlag stated the Resolution only mentioned fixing the roof.

Since there were no objections, he would proceed with tearing it down.

Councilmember Gunter stated he understood that the Pavilion would be coming down first in June, then July, then September. He inquired about it three weeks ago when the City Manager brought to his attention that Council approved to modify it for \$34K, not torn down. That was in the Strategic Plan for the Yacht Club from the GO Bond. He agreed to removing the structure.

Councilmember Carioscia asked if there were any other public bathrooms on that beach.

Senior Public Works Manager Ilczyszyn stated they would take down the Pavilion, but the bathrooms will remain with a roof modification awaiting a final concept.

TIME AND PLACE OF FUTURE MEETINGS

A regular meeting of the Cape Coral City Council was scheduled for Monday, November 4, 2019 at 4:30 p.m. in Council Chambers.

MOTION TO ADJOURN

There being no further business, the meeting adjourned at 6:54 p.m.

Submitted by,



Kimberly Bruns, CMC
City Clerk