

BUDGET TASK FORCE

Minutes of May 19, 2009

Item 1. Call to Order/Roll Call:

Meeting was called to order by Todd L'Herrou at 8:35 a.m.

Members Present: Peter Arts, Mark Denkler, Vincent Dole, Howard Ellingsworth (8:40 a.m.), Todd L'Herrou, Robert Moore and James Smith

Members Absent: Alexander Simon and Franklin Wheat

Guests Present: Lisa Herrmann, Rebecca O'Connor, Joseph Safford, Karen Schell and James Tabeek

Item 2. Approval of the agenda:

Mr. Moore moved to approve the May 19, 2009 agenda, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Comments from the Public:

None.

Item 4. Approval of the Budget Task Force Minutes for April 21, 2009:

Mr. Dole moved to approve the April 21, 2009 minutes, seconded by Mr. Arts. Said motion passed unanimously.

Item 5. Review of new handout material:

Mr. Safford indicated progress is ongoing with implementing recommendations in the initial Budget Task Force as follows:

Employee Medical Plan Premium Contribution – The new health plan format created two HMO plans. The "Core" HMO requires no contribution from the employee; however, this plan has higher deductibles. The "Buy up" plan requires an employee contribution of \$27.75 per pay period. This plan has a lower deductible and does not require a primary physician referral for a specialist.

Overtime Pay – Police Department double overtime and paid holiday time has been resolved. Non-sworn officers never received double overtime, but continued to be paid for holiday time in lieu of taking time off. Employees were budgeted for 2,080 hours. Holiday pay paid in lieu of taking time off increased the budgeted hours.

Car Allowances – Mileage logs were prepared and submitted for the month of December. The City Manager authorized no required mileage logs for employees with employment contracts or offer letters. Three out of thirteen employees qualified for the minimum car allowance. The remaining ten employees will be converted to business mileage. All personnel receiving car allowances are being taxed properly.

Education Incentive Pay – No adjustments have been made to the double education incentive payments. This is not an issue in discussion at this point. Police officers are receiving City payments for having degrees and are also being paid for the State minimum requirements in addition to the City payments. The City Manager stated Fire

management education supplemental pay should remain so these positions remain competitive with Police.

Tuition Reimbursement Program – Costs and participation have decreased.

Sick Leave Payout at Termination – Sick leave payout at termination has been capped at 1,120 hours. There will be no accumulated hours beyond the 1,120 hours.

VEBA Retiree Health Insurance Trust – Fire Department individuals gave up a 2% raise; while the Police Department individuals did not. No action has been discussed on this item as the City Manager would like to consider the Police and Fire benefit package as a whole.

Credit/Debit Card Transaction Fees – The Treasurer is currently working on changing our credit card fee structures to the State contract rates which will allow the City to reduce costs of these services. Approximate savings would be \$150,000.

The Finance Department is currently working on the following Budget Task Force projects:

Insurance Claim for Hurricane Wilma - Mr. Safford indicated in the process of FEMA closing out Hurricane Wilma, they requested proof from the insurance carrier for any of their unpaid claims. The insurance carrier did not cover debris or what the City calls emergency protective measures; police and fire staffing related to a hurricane. The value listed on the insurance policy was \$300,000. The insurance carrier will reimburse the City for the hurricane damage only. As this was a 1975 building it had several items that were out of the current Florida State building codes; City Commission directed the building be demolished and rebuilt. (Total to rebuild-\$2.7 million.) The City learned there are several layers of insurance; the primary layer is the policy; the excess carriers cover different layers of insurance. The excess carriers should have identical basic terminology as a base package; however, there were several conflicts with the language. In conclusion the insurance is limited to a total of \$300,000 as listed in the policy. The forensic account firm was forwarded backup copies for the remainder of the \$1 million claims submitted. Review is coming to completion and will then be forwarded to the primary carrier.

Mr. L'Herrou questioned if the City is addressing the conflicts in the layers of policies in the new policies as they come up for renewal?

Mr. Safford responded yes, as the City has a new broker, coverage is being very clear. We learned to be careful of what is indicated and listed as values.

Mr. Arts indicated for the record his agency, Plastridge Insurance is the current broker for the City. They are working closely with Risk Management for an accurate statement of values. Their policy is not layered as it is with the Florida League of Cities which insures only municipalities. The City did the best they could under the circumstances. As far as the new policy, there was a five hour meeting with City staff and City Attorney reviewing items line by line. We're confident that all is informed of what is and is not covered.

Parks & Recreation College Tour Program – We have been advised that the Department Head is going to remove this item from the upcoming budget.

Rented Properties with Homestead Exemptions – The Finance Department has been reviewing rental properties within the City to determine if they are receiving homestead and/or Save Our Homes exemptions. Owners renting their property are not entitled either exemption. The final findings indicate 493 rented properties are receiving an exemption. The Property Appraiser's office will be sending denial letters out June 1, 2009, denying the exemption due to the fact they are illustrated as being rented. The property owners will then have an appeal period to appeal the challenge. If the Property Appraiser confirms this, there would be approximately \$55,000,000 added to the Taxable Values. This could be additional tax revenues of \$376,710 to the City of Delray Beach. The Property Appraiser can go back ten years to recover lost tax revenues. In addition, there were 1,085 rented properties not filed for Landlord permits, which represents additional revenues of approximately \$54,000. The City may charge a triple fee as a penalty for not filing for these permits.

Take Home City Vehicles - The Police Department has resolved their take-home vehicle use. Di-minimis personal use will be allowed, being consistent with the IRS guidelines for marked Police vehicles. The Fire Department has ordered the appropriate marking for their vehicles. IRS regulations require emergency vehicles to be clearly marked and only used for di-minimis personal mileage. Staff is currently developing a recommendation to have employees with take home cars pay a fee to the City for the personal mileage costs based on distance away from the City (tiered fees), which would be negotiated with unions and then imposed on non-union employees.

Mr. Safford continued stating at the last meeting conversation was brought forward that the City should retain a contract reviewer that would evaluate and review contracts before approval and recommendations be made. After careful consideration, Mr. Safford suggests a more general person such as financial analyst who could also continue studies.

Mr. L'Herrou commented he is delighted with this idea. It would be great to merge these two ideas into a financial analyst/internal auditor position responsible for both areas. We need to find a way to develop the structure, not just report to the higher authority.

Mr. Ellingsworth also agreed this is a good idea to broaden the duties of this individual. However he felt this individual would mitigate their effectiveness by not reporting to an independent board.

At this time, Mr. Safford explained the situation of changing the Police and Firefighters' multiplier from 3% to 3.5%. Employees were willing to pay a higher contribution from 3% to 9.59%; a compromise was made. The City Commission chose to pay for all past service which lead to a large unfunded liability. This is an example of a major decision which needs more time and further research for long term impacts. Cities across the country have gone bankrupt because of Police/Fire pension plans. We need to make sure all sides and positions are heard and evaluated prior to making a huge decision by the City Commission.

Mr. Safford suggested a financial analyst; a person with the capability to conduct any of these studies. They would have the finance department as a resource center. The separate issue is the independent board/finance committee where items going before the City Commission would have to be run through the finance committee for a review process; items over a certain dollar value or contract issues. Mr. Safford questioned the quantity of meetings as we wouldn't want items delayed. Further research with other cities would need to be completed to find out how they handle their committees, what power and authority they have, do they have any clout, etc.

Mr. Ellingsworth commented it would be impractical to have a board that meets weekly. Perhaps not every significant expenditure be reviewed by the committee; however, long term commitments or capital outlays. These items have merit as to the long term ongoing costs.

Mr. Safford stated if the financial analyst position is going to conduct more studies, there would be no reason that person couldn't answer to the Finance Director where the resources would be. The independent board would need to answer directly to the City Manager and/or City Commission; or possibly continue the Budget Task Force.

Mr. Safford stated this will be difficult with the budget mode we are currently have frozen wages, positions and reduced benefits. It will be very difficult to hire another person. We do not know what we are up against for next year's budget; we may have to cut personnel. Should there be an individual within the Finance Department that could take over these duties that would be another thing.

Mr. Ellingsworth commented the Budget Task Force would not recommend this unless they believe it was cost saving to the City. This individual would have paid for themselves ten times over just with the items that were touched on so far. The theory is the City will save money through this person's effort.

Mr. Smith in addition to defining a mission statement for the independent board, it is also uniquely important to define the job description and qualifications of the person being hired.

Mr. L'Herrou moved to make a motion to add an additional meeting on Tuesday, June 9th, 2009 at 8:30 a.m., seconded by Mr. Smith. Said motion passed unanimously.

The final item Mr. Safford addressed was the additional evaluations to be included in the report. The original booklet was an initial report, does the Task Force want to add another 6-7 pages or have a separate report. Mr. Smith moved to make a motion to blend the second portion of the report in with the initial report for one final report, seconded by Mr. L'Herrou. Said motion passed unanimously.

Item 6. Discussion of observations and recommendations for final report:

Mr. Smith made the following motions:

The Task Force recommends implementing a procedure to categorize all department overtime, seconded by Mr. Dole for further discussion; said motion failed.

Mr. L'Herrou commented potentially down the road the City may change their financial system which may have this accommodation. It would be onerous for departments to track it that detailed.

Mr. TabEEK stated the Fire Department has separate software allowing them to keep separate logs of special events; another staff member tracks overtime for shift personnel.

Mr. Safford clarified the software package is for Police and Fire not a financial package. They have a separate software package that allows employee scheduling.

Recommends the new financial package to the City be incorporate to make sure it has the capability of reporting overtime on work detailed basis, seconded by Mr. Dole; said motion failed.

Mr. L'Herrou commented if this is already built into the requirement being considered it would be redundant to impose as an additional suggestion.

Mr. Moore commented it's pretty late at this stage to add items at the end of the Task Force's tenure. He does not feel it is necessary to put this in the report.

Recommends not offering a defined benefit,, but a separate retirement package for new police and fire employees; the motion would be that there is an expression from the committee that they are concerned about the growing deficit in Police and Fire where more action needs to be taken in the future. Motion failed for lack of a second.

Mr. Safford indicated every year actuarial valuations of the pension plans are completed by professionals. There is a serious condition due to investment income which has dropped nationwide. Mr. Safford stressed he is not saying in any way shape or form the plan is causing the City to go bankrupt; however, it will have an impact on next year's budget. The City currently has it under control; there may be future valuations which make recommendations relative to benefits of future employees.

Recommends the City implement procedures for a memo of financial reporting of any expenditure that has offsetting revenues, seconded by Mr. L'Herrou for discussion. Said motion failed.

Mr. Safford stated the comprehensive annual financial report has is a section called Management Discussion and Analysis. This illustrates statements of activity for the expense of a department and offsetting revenues.

Mr. Moore commented the Task Force didn't have time to cover several of these items. Mr. Smith is documenting various specific items; perhaps they could be generalized for the future board to address as a starting point.

Item 7. Other Business:

Mr. L'Herrou indicated Mr. Moore's \$1,000 donation has been presented to the Chambers. Finalized contest details will be announced over the next few weeks. Contest deadline is Monday, August 3, 2009. All ideas will be evaluated by a committee, winners will be selected and then all ideas will be forwarded to the City. One committee member is a PR specialist who will write up a press release and forward to the

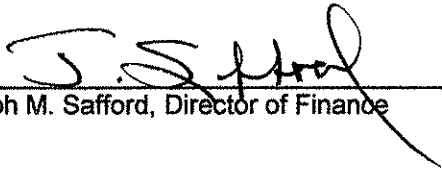
appropriate individual at City Hall where it will then be announced in the News for Neighborhood, website flyers and the Chambers e-mail listing.

Mr. Moore commented the committee felt they needed more time, and the more publicity the City receives, the better. After the contest, there will be no further need to take credit for anything beyond that time.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. Moore. Said motion passed unanimously. The meeting adjourned at approximately 10:17 a.m.

The undersigned is the Finance Director of the City of Delray Beach. The information provided herein is the minutes of the City of Delray Beach Budget Task Force of May 19, 2009, which minutes were formally approved and adopted by the Budget Task Force on June 9, 2009.



Joseph M. Safford, Director of Finance

/kms

cc: Budget Task Force Members
Lisa Herrmann, Budget Officer
Rebecca O'Connor, Treasurer
Joseph Safford, Director of Finance