

FINANCIAL REVIEW BOARD - MEETING MINUTES

JUNE 15, 2010

CITY HALL – FIRST FLOOR CONFERENCE ROOM
100 NW 1ST AVENUE, DELRAY BEACH, FLORIDA

Item 1. Call to Order

The Chairman of the Board, Mr. Howard Ellingsworth called the meeting to order at 8:30 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Howard Ellingsworth, Chairman

Todd L’Herrou, Vice Chairman

Jack Warner

Yvonne Walker

Christina Morrison Pearce

Rosalie Blood (Acting Regular Member)

MEMBERS ABSENT:

Brenda Durden

Hansen Higgenbotham

PUBLIC GUESTS PRESENT:

Dr. Victor Kirson – President/Tierra Delray

STAFF PRESENT:

Barbara Flynn, Executive/Technical Assistant

Al Berg, Asst. Dir. of Comm. Improvement

Danielle Connor – Asst. Chief Fire Dept.

Item 3. Approval of Agenda

Mr. Ellingsworth asked for approval of the June 15, 2010 Agenda. Ms. Pearce moved to approve. Seconded by Mr. L’Herrou. Said motion passed unanimously.

Item 4. Approval of Minutes

Mr. Ellingsworth asked for approval of Minutes of June 1, 2010. Mr. L’Herrou motioned to approve. Seconded by Mr. Warner. Said motion passed unanimously. Mr. Ellingsworth asked for approval of the Special Meeting Minutes of May 11th. Mr. L’Herrou motioned to approve. Seconded by Ms. Pearce. Said motion passed unanimously.

Item 5. Public Comment

No public comments.

Item 6. New Handout Material

The handouts included budget analysis of Fire Rescue reviewed by Mr. L’Herrou, Community Improvement reviewed by Ms. Walker, Admin. Services, City Attorney’s Office, City Clerk’s Office, Human Resources and Finance reviewed by Mr. Warner. Copies of two letters the Board sent to the Mayor 1.) Request to avoid any discretionary spending for the remainder of this budget year. 2.) The Board’s conclusion regarding the Waste Management Franchise Fee Analysis.

Item 7. Open Issues

7a) Departmental Budget Analysis:

Community Improvement – Ms. Walker

Issues Ms. Walker discussed in general were as follows:

1.) (From last year’s function ratings by Department Heads) A recommendation to eliminate the Education Coordinator’s position. The Director has reorganized to transfer duties from her Building Official and one other retiree to the person who holds the position of the Education Coordinator, with a net savings of \$30,000.00. With streamlining staff and reassigning duties the total budget for C.I. is coming in approximately \$90,000 less than last year.

2.) Ms. Walker asked if any of their operations could be outsourced, such as the Building Permit process. The C.I. Director provided detailed justification of why outsourcing is not cost effective. They are looking into doing a comparison with other cities on the permit fees, and may adjust them accordingly.

Mr. Warner asked if the current volume of work will be affected by the economy. Ms. Walker stated the unfilled positions in the department are going to remain unfunded until the economy improves. Mr. Warner stated rather than the department showing vacant positions and claim they are budgetary cuts, compare the amount of activity from last year and the amount of actual staff; it appears they are using an attrition based model. Ms. Walker discussed a project that we were expecting revenues of \$700,000 for the General Fund that is still in the development phases as well as three (3) other projects with combined revenues of \$1 million of which the money will not come in until the developers move ahead and they are currently in the permitting process.

Code Enforcement and Building Permits are the two primary functions of the C.I. Department. The Department has had revenue increases from business taxes on permitting, but without the volume you will not see a large increase in revenues. They are not relying on new development as much as re-development. A question Mr. Warner brought up - is this level of activity closer to what a steady state is going to be going forward? Or is the boom in economy coming back? Ms. Walker stated the Department Head is hopeful the economy will come back. Hurricane reconstruction also has an impact on this department.

Ms. Pearce had a question in reference to expanding the services to other cities; possibly taking over Highland Beach or Boynton Beach. Ms. Walker stated they started providing permitting services for the Town of Gulfstream and they are exploring other areas. However, when negotiating the Director will not bring in other cities if it is not cost effective.

Fire Rescue - Mr. L'Herron

Issues Mr. L'Herron discussed in general were as follows:

1.) The City of Highland Beach - actual costs of current services. Revenue received is by contract between the two cities, and the Fire Department is not a primary party to those negotiations. We may be able to provide more of our services to them such as building inspection.

2.) EMS Billing – The outsourcing of the billing process has not met expectations; the collections have decreased and there are inefficiencies in the process. The Fire Rescue department has requested bringing this function back in-house.

Mr. Warner's recommendation is to have the Finance Department manage the activities of the EMS billing if it is brought back in-house. The important reasons are professional training and management focused on accurate billing and timely collection. The billing activity is a financial function and should be done by personnel in the Finance Department.

Chief Connor stated one (1) or two (2) employees would be needed as well as software and a server - those costs could be absorbed in a year in collections. The current fee for outsourcing is \$100,000 a year plus percentages. Initially when they started the EMS Billing it was handled in-house and the collection rate was at 80%, however it was taking away from other administrative duties. They decided to go with ADPI in 2007 and we have since gone down 30% in collections. After six months ADPI transfers files to Penn Collections for longer standing overdue accounts. The current outstanding amount in collections is over \$4 million dollars. There was a continued group discussion about the process, the reasons for this shortfall in collections and what has been put in place recently to improve the situation.

Mr. Ellingsworth states there needs to be better oversight of this process. He stated since most hospitals and physicians outsource their billing process, in-house may not be the best way, however they should research other companies. In conclusion the current contract runs until December 2010, giving us time to improve this process.

3.) Fire Code Inspectors – Currently there are five (5) code inspectors and the recommendation from the department is as these employees retire to replace some of them with civilian employees to decrease costs. This transition will be over the next few years. The savings will be around \$100,000 and the Board will support this recommendation.

4.) Community Education Specialist – There is high turnover rate for this lieutenants position; typically once trained, the lieutenant is ready for the next promotional opportunity. Therefore this position is also being considered to be changed to a civilian educational specialist at a lower salary and benefits level. This may be approximately a \$30,000 a year savings. The Board will support this recommendation.

5.) Sick / Vacation Leave Buyback Program – Accumulated sick and vacation leave is capped rather high and may cause large leave payouts at the time of retirement (at current rate of pay). Also as they approach the cap, this becomes an incentive towards using the leave rather than losing it, causing the City costs to in-fill and in overtime. This is partially contractual, so it needs to be negotiated to change. The recommendation is to find ways to decrease costs in overtime and large payouts for sick and vacation. The Board will support this recommendation.

6.) Atlantic Community High School Fire-Rescue Academy – The Fire Department has instituted a Fire Rescue Academy which started out small with one class and has become something much bigger. We still support this idea in order to provide a unique opportunity for students, but the School Board does not fund it.

Chief Connor stated they have budgeted the overtime of \$25,000 to \$30,000 a year. Other than teaching one hour a day, they have ride times, clinical times for teacher planning, etc. This has taken away from any in-house EMS training – there has been none. The real cost of this is much higher than the amount budgeted. She feels it is a great program but

the City cannot sustain it. Mr. Ellingsworth stated this is not a primary function of the City and will look into grants or other funding sources to help.

In conclusion Mr. Ellingsworth asked for numbers on the cost savings / revenue enhancement for the recommendations the Board is supporting. The Fire and Police Department issues will be approached as a Board due to the contracts involved.

City Attorney's Office - Mr. Warner

Issues Mr. Warner discussed in general were as follows:

1.) Make sure the City Attorney's Office is involved in all of the City's major contracts. The Board will support this recommendation.

City Clerk's Office - Mr. Warner

1.) Increase City cemetery fees - There was some open discussion on fees, operating third party, building additional mausoleum space, etc. Mr. Warner will add an investment analysis to determine the returns on a capital improvement.

2.) Eliminating Assistant City Manager position and have the City Clerk report directly to the City Manager.

3.) Hold net expenses at the 2010 level by revenue increases and productivity gains (approximately \$9,000). The Board will be supporting this recommendation.

Mr. Ellingsworth asked if reducing Public Information functions would reduce costs. Mr. Warner explained he would move the Sustainability Officer into the City Clerk's Office. This job is currently funded by a grant which ends in August. Mr. Warner said he will look at the amount of management at the top levels when they review City Manager's Office. His preference is to have department heads that are functionally responsible for the activities in their area. One of the City Clerk's responsibilities currently, is providing information to the public in general. The Public Information function can formally be part of the City Clerk's Office (Sustainability Officer and his Assistant). Additional money saved would be thru the elimination of the Assistant City Manager - if that position is eliminated the functions that report to him have to be integrated into other departments. The City Clerk could report to the City Manager, and the Public Information Office could report to the City Clerk. He stated to group the functions appropriately and let that department decide how many employees they need.

Ms. Pearce asked about the \$9,000 savings and Mr. Warner clarified this amount pertains to the City Clerk Office's budget only by reasons explained in item #3. The other positions mentioned will be address later in his analysis of the City Manager's and Public Information Office's budget.

Human Resources - Mr. Warner

Mr. Warner started his evaluation by taking a combination of the recommendations made by the Budget Task Force, the Employee Suggestions and observations by the Financial Review Board from the budget submissions. Bargaining, City staff structure, Drop program, vacation pay and provisions of current pay practices are functionally the responsibility of the Human Resources Department.

1.) Increase departmental involvement in organizational design and similar City-wide issues where their expertise would add value to decision making.

There are many compensation and benefits (including take home cars) where there should be a sign-off from the HR Department. This recommendation has an effect of overall improvement for management in the City (indirect saving – long term).

2.) Reduce budget by approximately two percent (\$8k) to hold spending at 2010 level. The Board will support this recommendation.

Mr. Warner's remaining assigned departmental analysis's will be included on the agenda for the next meeting (07/06/10) including Admin. Services, Finance Department and City Manager's Office.

7b) Review of Website Content – Summary:

Mr. Ellingsworth briefed the Board on a conversation he had with the Mayor regarding the FRB website content. The Mayor's concern is that he does not want the website to become a political platform for complaints. Mr. Ellingsworth explained the Board's intention is to post only formally approved items in the form of recommendations, and a *summary* of the Employee Recommendations (not specific). The Mayor agreed this could be part of the City's website.

Item 8. Open Discussion

a.) Mr. L'Herrou asked if we had received a response from Mayor McDuffie on the May 4th letter from the Board, stating the communication with the Commission would be improved by his appointing a Commission liaison to the Board. Mr. Ellingsworth has not received a response and will follow up with the Mayor.

b.) Ms. Pearce has met with the Director of Parks and Recreation, but has a follow up meeting with her the week of June 21st and will have her budget analysis report of that department ready for the next meeting (07/06/10).

c.) Ms. Blood met with Mr. Barcinski, Assistant City Manager on June 10th to discuss the grants and aids process. He will include her in the meetings when they start to discuss them. By next meeting she will have an outline of the process. Mr. Ellingsworth stated a previous recommendation of the Budget Task Force and continued recommendation from the Financial Review Board was that the applicants for aid need to provide their current IRS Form 990 (non-profit tax form). Ms. Blood stated Mr. Barcinski is now requiring that form.

d.) The Police Department budget analysis was reassigned to Ms. Walker. Mr. Ellingsworth stated that even though the Police Department is an area where changes require contract negotiations, the Commission wants the Board's input. The City of Pittsburgh had Carnegie Mellon University students do an analysis of their Fire Department and we could look into that type of alternative using our local colleges. There was some discussion about the "Comparison of Cities Analysis" on the number of Police Officers employed vs. the number of residents. This comparison is a useful tool, but care needs to be taken when relying on these calculations due to a number of variables.

e.) Mr. Ellingsworth will be doing the analysis for Public Works. He stated he believes two staff members in Engineering are budgeted in the Water and Sewer Fund, and asked Ms. Walker to verify.

f.) Ms. Pearce discussed the issue of the Fire Surtax vote and stated did not pass and it has been put on hold for at least two years. In the background studies done to oppose that tax, detailed research was done into the pension funds and it was found that a lot of the pension and benefits were administered at the State level by statewide union contracts. The cities and the counties cannot change many of the pension and other benefits for fire departments. The League of Cities and other groups banded together and may approach Tallahassee about letting some of those benefits be re-negotiated.

Ms. Pearce stated the City of Palm Beach is revamping their pension and benefit plans. Some changes being looked into are adding more years before you are eligible for a pension and adding to the minimum age requirements. These changes could save millions. She will report back to the Board on the results of that vote. Mr. Ellingsworth stated we have not seen the final report from the consultant that did an actuarial study for the City Manager. Ms. Walker stated she had noticed in the budgets she reviewed they each had increases in their general pension contributions. Mr. Ellingsworth stated that is a calculated amount, so it is not something coming from the departments. Promised returns are not being realized. Some of the broader issues that merit further research are: going to a four day work week, offering buyouts and not rolling-over unused vacation time.

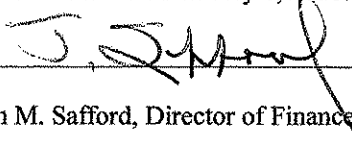
g.) On the status of the Waste Management Franchise Fee Analysis, there will be statistical sampling ongoing to provide reasonable assurance of accuracy in billing. They are also looking for ways to insure completeness to ensure we are billing all of the customers. A better contract can be re-negotiated in 1 ½ years.

h.) Agenda item for the next meeting will be to continue with the budget analysis for the remaining departments.

Item 9. Adjournment

Mr. L'Herrou motioned to adjourn the meeting seconded by Ms. Blood. Said motion passed unanimously. The meeting adjourned at approximately 11:00 a.m.

The undersigned is the Finance Director of the City of Delray Beach. The information provided herein are the Minutes of the City of Delray Beach Financial Review Board of June 15, 2010. Minutes were formally approved and adopted by the Financial Review Board on July 6, 2010.



Joseph M. Safford, Director of Finance