

BUDGET TASK FORCE

Minutes of September 9, 2008

Item 1. Call to Order/Roll Call:

Meeting was called to order by Chairperson Franklin Wheat at 8:30 a.m.

Members Present: Howard Ellingsworth, Todd L'Herrou, Robert Moore, Alexander Simon (by speaker phone) and Franklin Wheat

Members Absent: Peter Arts, Vincent Dole, Mark Denkler and James Smith

Guests Present: Lisa Herrmann, Joseph Safford, Karen Schell, Becky O'Connor

Item 2. Approval of the agenda:

Mr. Ellingsworth moved to approve the September 9, 2008 agenda, seconded by Mr. Moore. Said motion passed unanimously.

Item 3. Comments from the Public:

No individuals were present. At this time Mr. Wheat read into the record a letter from Mr. Harden to Mr. Moore appointing him as a regular member. Mr. Denkler has been appointed by the City Commission as an alternate member.

Item 4. Approval of the Budget Task Force Minutes for July 1, 2008:

Mr. Ellingsworth moved to approve the July 15, 2008 minutes, seconded by Mr. Moore. Said motion passed unanimously.

Item 5. Review of Take-Home City Vehicles:

Mr. Safford informed the Task Force Members staff reviewed the Internal Revenue Code, taxation, fringe benefits and administrative policies that cover take-home vehicle use; in addition, completed a survey of other Palm Beach County entities and their take-home vehicles. IRS regulations generally consider working condition fringe benefits as taxable to the employee unless specifically exempted. A city vehicle used on business time by an employee is exempt from tax; when used for personal use it is a taxable benefit (such as commuting miles back and forth from work). If an individual has a clearly marked emergency vehicle and is on call, the commuting mileage can be tax exempt. Personal mileage other than commuting has to be the minimis personal use, which means the individual could stop on their way to or from work to do a minor errand.

Police unmarked undercover vehicles fall under the qualifications. The Fire Department's unmarked vehicles do not qualify. The City charges \$1.50 for a one-way commute if the following conditions are met:

It must be a valid business purpose, owned/leased by employer, provided to the employee for business use, the employer requires the employee's use for valid non compensatory business reason (such as clearing parking lots of all vehicles for hurricane preparedness or a tennis tournament event where parking lots are needed for patron parking).

The Building Official and Code Enforcement Division Head, who are not on call, have take-home vehicles. The Task Force Committee may want to interview the Department Heads for justification. These individuals have no night meetings and do not qualify for the \$3.00/day cost; however, they are currently paying it.

Qualified non-personal use vehicles would be:

Clearly marked police/fire vehicles required for commuting, unmarked police car used for law enforcement purpose, employee on call, personal use by a police officer outside of his jurisdiction for arrest powers must be strictly prohibited (this is questionable as they have

mutual aid agreements), personal use by a firefighter outside of his obligation to respond to an emergency must be prohibited, and specialty utility trucks (not pick up trucks) on call used to restore utility services are allowed.

Mr. Safford believes there are firefighters who live in Stuart and Sunrise where it could take these individuals an hour to get to their station; is this a reasonable response time for a fire or medical emergency when time is of the essence. The IRS specifically excludes normal pick up trucks. Specialty trucks would consist of utility trucks for the garage used to repair broken down vehicles or cleaning of the sewers.

After substantiating the qualifications the Department take-home vehicles were reviewed as follows:

Clean and Safe Program: One take-home vehicle (Ford F-150 pick up truck) where the employee lives in Delray Beach. No mileage log is kept to staff's knowledge. The rational is at night the Public Works complex is closed and locked. This is not a qualified vehicle. The IRS specifically states pick up trucks do not qualify.

Community Improvement: Five take-home vehicles that are not emergency vehicles, individuals are not on call and the vehicles are not marked. All of these individuals pay their \$3.00/day; no mileage logs kept.

Mr. L'Herrou questioned who is liable to the IRS (the City or employee) should this become an issue.

Mr. Safford responded in most cases the City would be responsible. If the City doesn't supply the IRS with documentation that an individual has a take-home vehicle, the employee more than likely would not voluntarily notify the IRS they have a take-home vehicle and owe them money.

Mr. Ellingsworth commented the employee would either have to reimburse the City or the City has to input the taxed wage; a benefit to be paid for or added to their wages.

In response to Mr. Wheat's question of the process on fuselage for City vehicles, Mr. Safford stated the City has fuel facilities in Public Works and the Police complex. It is an automated system with keys and one must enter the vehicle identification and mileage.

Mr. Safford commented he does not see the business purpose for these vehicles and questioned if the Task Force should invite the Department Heads to a meeting or request written justification. The more vehicles stopped for personal use, the less wear, tear and fuel usage.

Mr. Wheat felt an indifference to having the Department Heads come in at this time questioning if it was better to forward a guideline and/or IRS information to the departments for review with their policy, reporting with a written response back to the Task Force.

Mr. Ellingsworth agreed with the addition of setting limits and assigning appropriate dollar amounts. Mr. Ellingsworth questions if the \$3.00/day for a 20 mile commute is fair.

Mr. Moore cautioned the Task Force to avoid the same situation as they've had previously. Establishing policies and procedures without consulting Departments may bring some difficulties. Mr. Moore agrees with Mr. Safford that the Department Heads should be informed prior to issuing any policies and procedures.

Mr. L'Herrou questioned whether the City Attorney's office should be involved as they may have input on these matters. Perhaps start here and then move forward to the Department Heads.

Fire and Police: Mr. Moore commented there are only 28 out of 113 police cars within the City limits of Delray.

Mr. Safford continued stating further review of personal mileage versus business mileage was completed by doing a map quest of the employee's residence to work and reviewing days worked and off. The results showed vehicles with 85% commuting mileage all the way down to 7%.

Mr. Ellingsworth suggested receiving the Departments written policy, the Task Force review it and then bring the Department Heads in for justification.

Mr. Safford suggested obtaining the City's policies and the Department's internal policies first for comparison. Secondly, review the various issues independently for qualifications, and then contact the Department Heads.

Parks and Recreation: Nine vehicles; none qualifying.

Mr. Safford indicated he would have the Departments e-mail their take-home policies to him for forwarding to the Task Force members.

Item 6. Review of previous handout material:

None.

Item 7. Other Business:

Mr. Wheat reviewed the e-mail for the request from Mr. Moore to L'Herrou about the City of Delray Beach Task Force's offer and intention for a \$500-\$1,000 contest for The Best Idea Implemented to Generate Revenues for the City.

Mr. L'Herrou indicated the Task Force can move ahead if this is the approach that is decided to pursue. He feels it is an excellent one and should go ahead.

It was agreed to have three winners selected by the Chambers to avoid any prejudice.

Mr. Wheat suggested Task Force members review the City Manager's opinion of recommendations to go before the City Commissions.

Mr. Safford reviewed the newspaper announcement of the contribution for \$500,000 from the CRA for the Tennis Tournament as this was an issue the Task Force discussed. This contribution will greatly help in offsetting other expenses and allow the City to bring the Animal Control personnel and several School Crossing Guards back on board.

Mr. Safford continued with the review of the City's Insurance Brokerage Services evaluation. The Property and Casualty Insurance Commission to AJ Gallagher was over \$300,000. This item was put out for bid with a low Brokerage fee of \$75,000, then \$125,000; AJ Gallagher being the highest. From the interviews, there was talk of a current soft insurance market where individuals would have significant savings. The award was made at the City Commission to the second lowest bidder being Plastridge Insurance Agency. The City will go with Florida Municipal Insurance Trust, Florida League of Cities Fund.

Mr. Ellingsworth questioned if the Task Force could look into the process of the bidding for contracts and jobs of architects. It was brought to his attention from a local architect costs were as high as 12% per square foot which is extremely high. Mr. Ellingsworth questions if the City has a competitive selection process. Is the Commission receiving sufficient input as to whether the professional fees are in line with the current industry?

Mr. L'Herrou commented the Chamber put together a Blue Ribbon Panel that reviewed the Community Center intended for Lake Ida and Congress who found similar findings. The original contract was for a certain amount; however costs kept growing with change orders. Construction prices were falling because business was dropping; however construction prices for City projects were increasing.

Mr. Safford was not familiar with the full process of the selection and indicated he would do further research and report back to the Task Force.

Mr. L'Herrou indicated he would forward the Blue Ribbon Panel report to Mr. Safford for forwarding to City Commission as a starting place for continued discussion. This was a good review process of how some issues in the project works and how others failed.

Mr. Safford limited his comments on the report prepared by Municipal Solutions, the second consultant that was retained. This was not an evaluation of budgets, but more of an evaluation of processes of policy and procedures. This report consisted of the firm's team being with the City for two days, subsequently going back to their office requesting further information. Mr. Safford does not feel this is a cost saving measure.

Motion to Adjourn:

There being no further business, Mr. L'Herrou moved to make a motion for adjournment, seconded by Mr. Ellingsworth. Said motion passed unanimously. The meeting adjourned at approximately 10:00 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 September 9, 2008, which minutes were formally approved and adopted by the Budget Task Force on October 21, 2008.



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