

BUDGET TASK FORCE

Minutes of February 19, 2008

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

Members Present: Peter Arts, Vincent Dole, Howard Ellingsworth, Steven Janssen, Todd L'Herrou, Robert Moore, Alexander Simon, James Smith, and Franklin Wheat
Members Absent: None
Guests Present: Lisa Herrmann, Cathy Kozol, Joseph Safford, Karen Schell and Rebecca O'Connor

Item 1. Approval of the agenda.

Mr. Ellingsworth moved to approve the February 19, 2008 agenda, seconded by Mr. Moore. Said motion passed unanimously.

At this time, Chairman Frank Wheat suggested all members introduce themselves with a brief statement of interest in the Budget Task Force.

Item 2. Approval of the Budget Task Force Minutes for February 5, 2008:

Mr. Dole moved to approve the February 5th, 2008 minutes, seconded by Mr. Simon. Said motion passed unanimously.

At this time, Chairman Frank Wheat indicated Cathy Kozol, Assistant City Attorney was present to review the Sunshine Law.

Ms. Kozol explained the basics of the Sunshine Law in that the Board needs to operate in public; meetings are to be publicly noticed and there is to be no contact between members outside of the meetings. In addition the packet Ms. Kozol distributed talks about e-mails being public records; Task Force Members are not to share e-mails between members other than general business purposes. The Task Force is here for the public and there should be no individual aspect of one looking for an individual gain.

In response to Mr. Safford's question of there being a problem with the Task Members contacting City staff, Ms. Kozol stated absolutely not.

Item 3. Review of requested handout materials:

Mr. Safford indicated there were no responses to the City's e-mail for a survey of other Cities. Mr. Safford continued with a brief explanation of the handout materials.

- A. Summary of staffing level. This is a general fund on the first two pages with additional funds on the following pages. On the last page for fiscal year 99-00 employees were at 728 and now at 816. Breakdown is by departments.
- B. Normative Comparisons Report of 2007. This is a third party survey taken by the firm requested by the City. Mr. Safford commented he did not find this very helpful.
- C. Report of Results 2007 is a detail of the summary.
- D. Town Hall Round Table Report where citizens facilitated at tables to discuss issues in question.
- E. E-mail memo with reference to FGFOA Legislative Bulletin. First of all there was a referendum where the homestead exemption was doubled; incorporated portability, put a cap on non homestead property and brought forward an exemption for personal property tax for non homestead. This could impact the City's taxes between 2.5 million to 2.7 million dollars. The state is now talking about capping the City's budget to the CPI (Consumer Price Index) and other legislative changes. This memo is to keep the Members up to date and let you know the State is in the process of continuing their tax reform efforts.
- F. Budget Task Force Member contact list. All confirmed e-mail addresses and phone number.
- G. Spreadsheet by Department illustrating comparison of years for general fund expenditures.

Mr. Ellingsworth questioned clarification of the expenditure line item for Highland Beach.

Mr. Safford responded that is for the Highland Beach Fire Department. We basically have their Fire Department; we have our own station, our own trucks, etc. It is reimbursed by Highland Beach. These are our people that we station in Highland Beach.

H. Spreadsheet of ten year revenues.

I. Listing of items requested by the Task Force.

Mr. Safford indicated the list of outside contract services was not provided as this is very in-depth accumulation.

Mr. Ellingsworth suggested the Task Force move into the expenditures, identify the large items and if there is a contract associated with that item then pursue with a copy of the contract and/or agreement.

Mr. Simon commented the contract where the pension agreements identified may be of help.

Mr. Safford explained the pension plans are covered by ordinances with certain fiduciary responsibilities. There are caveats which basically restricts how or what the City must fund. The City is required to make those plans actuarially sound. The Police and Firefighters plan also has the state premium tax revenue.

Mr. Safford continued stating on the City's website (www.mydelraybeach.com) under the Finance Department, one will find the Financial Trends Monitoring Report illustrating an accumulation of tens years of information which includes pension, graphics, property taxes, property taxes to the CRA, etc. It has useful information illustrating significant trends and in looking at revenues, it will note on the graph what caused the trend.

Item 4. Mission statement:

Mr. Wheat read the mission statements received by members of the Force Task as follows:

1. The purpose of the Budget Task Force is to provide recommendations to the City Council to reduce future City of Delray Beach Budgets by identifying non-essential services and programs for elimination within the general fund of the proposed city wide budget.
2. Recommend revenue enhancements/expenditure reductions that will enable the City of Delray Beach to prepare a budget for next year that maintains essential City services with no increase in the millage rate.
3. Provide a mechanism for members of the Budget Review Task Force, working with the Director of Finance and staff personnel to study the budget for Delray Beach to determine if there are ways, both in short term and long term, to enhance revenues or reduce expenses beyond what is currently being established.
4. To advise the City Commission on a balanced budget that will reflect a reduction in income from the current fiscal year.
5. Establish guidelines and recommendations for City Council on future city budgets. Provide City Council with a plan for highly effective city services with cost containment as our goal.
6. The mission of the committee is to advise the Mayor and City Commission within six months, by July 7, 2008 as to how to reduce the City's operating Budget to a level that more efficiently provides the citizens of the community with the quality of life at least at the current level.

Mr. L'Herrou commented as an approach to design a mission statement he would think the Task Force would want to avoid specifics.

Mr. Simon commented he believes mission statements should be accurate and simple to understand and cover a blanket without specifics.

Mr. Safford commented he would appreciate a mission statement that addresses both the revenue side and the expenditure due to the possibility of improving revenue other than taxes and there could also be opportunity to reduce expenses.

Mr. Wheat suggested bringing the statements back at the next meeting and have all members' number rank the statements thereby finalizing a decision.

Mr. Moore moved to bring the Mission Statement item back to the Task Force at the next meeting for number ranking; seconded by Mr. Simon. Said motion passed unanimously.

Mr. Arts indicated Assistant City Attorney Catherine Kozol included a handout with the Sunshine information where it lists the Budget Task Force's responsibilities very well with mention of both revenues and expenses.

Ms. Kozol suggested as there is a full quorum without alternate members, it might be better to not have an alternate member make a motion.

Mr. Simon moved to bring the Mission Statement item back to the Task Force at the next meeting for number ranking; seconded by Mr. Janssen. Said motion passed unanimously.

Item 5. Other business:

Mr. Ellingsworth questioned if there was time to review the expenditure handout to receive general descriptions of line items. These are highly condensed in terms of grouping and it would give a better outlook of what is included.

Personal Services – Salary, benefits, retirement, payroll taxes, health insurance.

Operating expenses – Under \$750 range; Postage, office supplies, janitorial services, professional services, contractual services. (Anything other than salary, benefits and items under \$750.00.)

Capital Outlay – Items over \$750.00. Would not include replacement equipment and computers.

Grants & Aids – Grants the City makes to other entities. (Old School Square, CRA, Library)

Information Technology – Includes computer operation. Staff monitors dual systems: a midrange system and PC network in City Hall and a duplicate in the Police Department. They are mirrored and back each other up. If the 911 system at the Police Department goes down, it can run off of the system at City Hall. Conversely if this system goes down, we can run off of the system at the Police Department. The fiber network throughout the City includes repairs, maintenance, replacement of PC's, network switches, hardware and software. (Renewal/replacement of existing equipment is in a Capital Improvement Fund - a transfer to other funds in the general funds.)

Police Support – Administration.

Police Operations – Field: neighborhood patrol
OT is in both Police Support and Operations.

Fire Administration – Administration.

Fire Operations – Field.

Fire Safety – Fire Department training, Public Fire Safety, Seatbelt/Child Safety, Smoke Alarms, Defibrillation Classes. (Specific staff involved.)

Community Improvement Administration – Several Divisions: Administration of Building, Electrical, Plumbing Inspection, Code Enforcement, Neighborhood Planning, Waste Management Contract, Recycling, Permits and Inspection. (Building, Electrical and the Plumbing Divisions have their own revenue source through permits. The Department Heads and Divisions determine the permit fees.)

Public Works – Administration, Streets, Sidewalks and Signs are functions of public works. A large part of their work is Special Events the setting up and taking down.

Golf Course – Water, Sewer and the two golf courses, Marina, Sanitation, Storm Water and Beautification are all enterprises type operations. They run off user fees, no taxed dollars go to any of those functions.

Beautification – Bond issue for building/landscaping of median strips. An ordinance was passed obligating portion of the City's utility taxes to a fund to maintain the median strips. This is illustrated as a transfer out of an expense to the Beautification Trust Fund maintenance. The percentage of utility tax revenue is fixed.

Mr. L'Herrou commented as reviewing this information the total general fund for 99/00 through the 02/03 year illustrates a 45% increase in expenditures. This is nearly double the expense; after that it fluctuates a little with a general increasing trend. This would be one area to review and question what caused this expenditure to increase so drastically in such short time.

Special Events - The majority of expenses for special events would be in the City Commission budget. Several departments have overtime included in their budget related to the special events. The City has made donations to some sponsored events such as the Delray Affair, Tennis tournaments and 4th of July fireworks; costs for some other events are offset and they would reimburse the City.

Enterprise operations - such as water sewer, golf courses, marina, storm water and sanitation are tracked very carefully. These operations do make a profit but could have impacts due to storms or hurricanes. Normally these funds pay an administrator fee (City Manager, Finance, personnel, purchasing, etc.) back to the general fund. This is determined as a fixed amount during the budget process.

Tennis stadium - operating cost would be maintenance.

Tennis Center - would include the pro shop and tennis courts. The Tennis Center is not a profit center.

Reserves - The general fund has an Unrestricted Fund balance. This is used for public purpose. Usually there is 15% - 25% of normal operating budget in reserves. During the first quarter of the year (October through December) little tax money is received. Taxes are basically 50% of the City's budget. These reserve moneys are used to handle the cash flow to avoid borrowing funds. This also covers emergencies such as: storm debris removal, property damage prior to receiving FEMA or State reimbursements and legal fees not covered by insurance.

At the end of the year, the revenues and expenses are closed; the results will be added or deducted from the fund balance. (Normally a surplus.)

At this time Mr. Safford explained the budgeting process as follows:

All departments submit a "zero" based budget where different budget levels must be completed.

Level one budget - is if the department were given 85% of what they spent last year, what would the current budget look like? (What would be deleted and added.)

Level two budget - is if the department were given 100% of what they spent last year, what would the current budget look like? (Keep in mind every year there are salary increases and benefit increases tied into union agreements, etc. that need to be covered.) Level three budget - is if the department were given 103% of what they spent last year.

Level four budget - is if the department had no restrictions?

This data is then forwarded to the City Manager along with the revenue outlook for balancing; then forwarded to the City Commission for their recommendation. This is where and when the millage rate is set and modifications are made by the City Commission.

Sales Tax - Sales tax revenue is not received from tennis tournaments, City of Delray Beach retail or general allocations. All sales tax goes to the State which are distributed by the State back to Cities based upon population. There is no direct input from sales tax.

Franchise Tax - Fees were eliminated by the State and converted into the communication service taxes.

Mr. Safford commented it's important to recognize homestead property owners are capped at 3% per year maximum for property taxes. He feels the tax problem lies on residential and business non homestead property owners which with the recent referendum are now capped at 10%. Mr. Safford continued stating if the City normally has a pay raise of 4% per year, the additional taxes needed to cover those increases are being transferred to the non homesteaded property owners as they have no caps. Now the State will cap the City's budget. Mr. Safford suggested Board Members focus on where the tax problem really lies.

Mr. Ellingsworth commented he does not believe staffing is a problem as that only increased approximately 15% within the last 8 years. With staff's direction and suggestions perhaps they could direct the Task Force what areas to focus on.

Mr. Safford indicated if the Task Force were to review the expenditure report they should see a large increase in public safety. Several years back, there were approximately 20 open positions in the Police

Department. The problem was the Sherriff's Department had the highest salary, benefits, a pension plan with no required contributions, a health plan with lower contribution requirements, take home vehicles etc. Upon new applicants being trained in the Police Department, they would transfer to the Sherriff's Department with a pay raise, sign in bonus and the above mentioned benefits. The City then had to increase their benefits to maintain personnel in which take home vehicles alone were a \$3 million cost.

Another major impact was the Police and Firefighter's pension plan. City Commission overrode the City Manager's recommendation and approved a 3.5% multiplier increase per year of service. The City picked up the cost going back for their entire history. An employee with 20 years of service had all retroactive years of service paid by the City. This in turn created an unfunded liability in the Police and Firefighter's pension plan.

A third major impact was the CRA. They started with \$1 million and increased to \$9 million. (An increase well over 100%.) When looking at revenues you will see the offset, however there is still the expenditure.

Members questioned the salary for firefighters commenting they heard the City of Delray Beach are the second highest paid firefighters in the County along side of Boca Raton. Mr. Ellingsworth questioned if the Board could receive comparative surveys for the police and firefighter's pay scales for their next meeting.

Mr. Safford indicated Human Resource should have this information as they negotiated with the unions.

In reference to discussion of pension plans, Mr. Safford mentioned per the ordinance, the funds need to be actuarially sound. There are State Statutes relative to the fact that benefits may not be reduced. From this point forward one could design something for future relief.

At this time, Mr. Smith distributed a handout of a suggested method of operation.

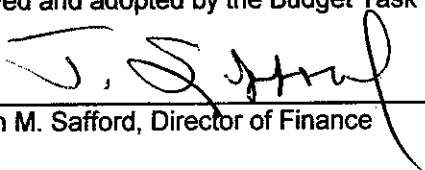
Chairman Mr. Wheat announced the next meeting would be Tuesday, March 4, 2008 at 8:30 a.m.

Mr. Ellingsworth thanked staff for gathering and putting all this information together. He feels it is very helpful, worth the effort and appreciates it.

Motion to Adjourn:

There being no further business, Mr. Ellingsworth moved to make a motion for adjournment, seconded by Mr. L'Herrou. Said motion passed unanimously. The meeting adjourned at approximately 10:20 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 February 19, 2008, which minutes were formally approved and adopted by the Budget Task Force on March 4, 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