

FINANCIAL REVIEW BOARD – MEETING MINUTES

JUNE 28, 2011

434 S. SWINTON AVENUE, DELRAY BEACH, FL

Item 1. Call to Order

The Chairman of the Board, Ms. Christina Pearce called the meeting to order at 8:30 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Christina Morrison Pearce, Chairman
Rosalie Blood, Vice Chairman
Howard Ellingsworth
Luise Piane
Jeff Ritter
John (Jack) Hallahan

MEMBERS ABSENT:

Alexander Simon (Alternate)
Andrew Youngross (Alt. Resigned)
Warren Trilling

STAFF & GUESTS PRESENT:

Barbara J. Flynn, Exec. /Tech. Asst.
Rebecca O'Connor, Treasurer
Dr. Victor Kirsen, Citizen

Item 3. Approval of Agenda-

Ms. Pearce asked for approval of June 28, 2011 agenda. Mr. Ellingsworth moved to approve the agenda with discussion, seconded by Ms. Blood. The Financial Report 2011 changed to Mid-Year Resolution. Added item member status of Mr. Warren Trilling (7E). Motion to approve as amended by Mr. Ellingsworth, seconded by Ms. Blood. Said motion passed unanimously.

Item 4. Approval of Minutes -

Approval of Minutes of Meeting of June 14, 2011 - Motioned to approve with discussion by Ms. Piane, seconded by Ms. Blood. Ms. Pearce made a few corrections. Corrections discussed, and noted to minutes. Ms. Piane motioned to approve as amended, seconded by Mr. Hallahan.

Item 5. Public Comment

— Dr. Victor Kirsen, President of Tierra Verde speaking on behalf of the association. He spoke about a Commission meeting recently where the auditor gave the 2010 report showing that Mr. Harden has done a great job. Mr. Harden felt we were \$1.5 million behind. Mr. Harden pointed out all of the areas where we have deficits, not just property devaluation. Also at the meeting they passed \$125,000 to put grass on Hilltop Stadium, and \$60,000 towards the tennis courts. Dr. Kirsen attended a CRA meeting they authorized \$535,000 for the tennis stadiums, another \$125,000 for another division of the tennis stadiums.

Item 6. Handouts -

- 1.) Mid-Year Resolution
- 2.) Color version of the Police Dispatch Data Report (via email)

Item 7. Open Issues-

A.) MID-YEAR RESOLUTION: Ms. O'Connor explained the Resolution that was approved by Commission. This includes the budget summary showing in the amended budget cash balances brought forward from reserves in the amount of \$3.36 million. This should equal the amount we are short at year end, in order to balance the budget. Ms. O'Connor explained on the revenue side, we are only short \$300,000.00 (minus the surplus brought forward). Variances were relative to Utility Taxes and Franchise fees and sponsorship charges for services.

Ms. O'Connor explained how the Ad-Valorem tax revenues are projected to Mr. Ellingsworth, and answered other questions posed by Ms. Pearce to clarify figures and adjustments in the report. Our reserves will be left with \$18 to \$19 Million. Ms. O'Connor explained the expense side - our main expenses - such as VEBA (Voluntary Employee Beneficiary Association), Pension adjustments, and Police officers being paid for an 84 hour work week when only an 80 hour work week was budgeted. Attrition helps to offset costs by the freezing of hiring, etc.

Ms. Pearce asked if we expect any changes in fees. Ms. O'Connor stated the sidewalk café would be the only one that would affect the general fund. Other fees such as valet may be in a special projects fund. Special projects fund money can be used for maintenance of garages. Charges have been changed (increased) for the past two years. Revenues that do go into the General Fund are parking meters and garage fees. Ms. O'Connor pointed out in the report where to find what other changes were made to the expense side. She stated the other fund with a larger variance was the Water/Sewer Fund. Money from one project in the Water /Sewer fund was moved to Water / Sewer Renewal and Replacement fund to offset the balances.

Mr. Ellingsworth asked if there is a forecast on sales tax revenues. Ms. O'Connor received information last week and she is projecting \$4 million. This is the same projection amount as last year (remaining flat). Again the Ad-Valorem tax projections are to the deficit of 3.67% which equates to \$1.5 million approximately. Delinquent collections are another variable.

B.) HEALTH CARE PLAN ANALYSIS: Mr. Ritter participated in a presentation with Bruce Koeser, Director of Human Resources, by Gallagher Bassett showing an overall increase of 20% cost in benefits for the City. Cost increases and plan utilization are

driving the prices up. There is no employee contribution for the HMO plan. Mr. Ritter made some recommendations about disease management initiatives and pharmacy review which they may take into consideration and Cigna working more closely with Gallagher Bassett. He was invited to the Wellness Center to take a tour, and speak with them about how to improve moving forward.

The PPO plan will be dropped next year providing a savings and drive individuals into the traditional HMO and managed care programs. An Executive Summary was provided which combines renewal and market negotiations. Some decreases were negotiated in administrative costs and stop loss costs or the rate increase would have been higher than 20%.

They are focusing on having the employees take more control of their costs with regards to wellness. There will be some increases in out of pocket expenses. The co-pays and prescription costs to employees are increasing, changing the plan structure to offset some of the costs. Mr. Ritter found Gallagher Bassett focused on what they are trying to accomplish. With significant claim utilization and strong Union leadership there are some issues.

Mr. Ritter has recommended a survey to reach out to employees. There is an HRA in place called the Choice Fund; the City provides employees \$500.00 (\$1,000 per family) to be used for wellness initiatives. Mr. Ellingsworth discussed a HSA plan in order to get employees engaged and to understand the costs. Mr. Ritter would like to have the clinic used more often to help with the overall health care costs. The benchmarks for co-pays are other municipalities and the employee contributions are low in comparison to other industries.

Mr. Ritter explained in response to a question from Mr. Hallahan that Medicare is federally funded and the reimbursement rates are different in different counties. Actuarial formulas are used to determine the total co-pay.

Ms. Blood explained what Mr. Boyd mentioned at the last meeting about employees having blood draws, and nicotine tests. Mr. Ritter stated smokers will pay more for the insurance. Mr. Ellingsworth said it really is taxpayer's money – ignoring opportunities to save money hurts everyone. The claim history has significant impact on the premium costs. Mr. Ritter asked for all to email suggestions (to liaison) to reduce costs while not sacrificing the quality that he can bring up with Mr. Koeser. He explained the different programs available and the employee costs.

The objective will be for the Board to draw up recommendations to submit to the City Commission.

C.) MARKETING OF CITY EVENTS: Mr. Ritter was invited to a meeting on July 21st with the promotional organization for the tennis center (IMG). Benchmarks, goals, objectives, communication, driving revenue, coordination with all the involved entities and fact finding to help offset some of the costs will all be taken into consideration.

Mr. Ritter will speak with Mr. Robert Barcinski, Asst. City Manager who works with the sponsorship and event coordination for the tennis tournaments. Mr. Ellingsworth stated the tournament is a negotiated contract so we can focus on bringing dollars into the City through sponsorships and naming rights. He stated Mr. Ritter's had a key point : a need for an overall management and coordination or master marketing plan of all of these entities; many of the groups are paid by taxpayer's dollars.

D.) CEMETERY POLICY ANALYSIS: Randal Krejcarek, City Engineer supplied Mr. Hallahan with a master drawing of the cemetery plots. From the map Mr. Hallahan was trying to eliminate all of the occupied properties, and show an accurate count of the available properties. There is a question as to if ninety (90) of the sites are included in the 270 showing as available and a question of the direction or the orientation of the available plots. The ninety (90) sites may be unusable due to a drainage pipe installed inside the fenced area instead of outside. Ms. Pearce asked if that area could be used for cremation sites. Mr. Hallahan will continue to work with Engineering, City Clerk's Office and Parks Maintenance for an accurate inventory and accounts receivables on the cemetery. Some of these problems developed when the City hired an outside management firm running the cemetery which kept poor records.

E.) STATUS OF MEMBER MR. TRILLING: Ms. Pearce stated that Mr. Trilling has requested he be excused from serving on the Board until September because he is traveling. Her feeling is the bulk of the work is done now prior to October's new budget year. Mr. Ellingsworth agreed that he needs to be serving on the Board prior to September. The Board's consensus was to recommend a new member replace his position, and perhaps have him rejoin if an opening comes up after September. This has to go through the City Clerk and the City Commission.

Item 8. New Business and Open Discussion-

A.) Ms. Piane mentioned a report about the Delray Beach Police Department was on television. Mr. Ellingsworth explained the Union negotiations are at an impasse and they are now going to an arbitrary. Dr. Kirschen was at the meeting and he said the Police made an offer to postpone, keeping it as is until the new budget is in effect. The City Commissioners said no, we are at an impasse. Both Attorneys select a special arbitrator who will hear the case and give a decision to the PBA. That is sent to the City Commission who may very well come up with a 5-0 vote against the special arbitrator. Then the City has to decide to either take other means, such as salary cuts because the PBA may tie the City up in court if they try to change the Pension Plan. It is a State

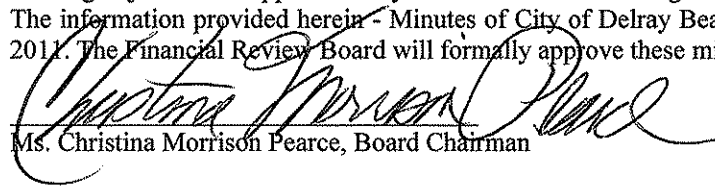
contract and it cannot be broken. The PBA is willing to give back, but not willing to change the Pension. What the PBA is asking is the Police go to 9% contribution and the City drops their 3%. Fire already agreed to 9% employee contribution.

Ms. Pearce stated there is a bill coming into legislation this fall in the State of Florida that will move the pension decisions back to the City level, rather than being dictated by the State.

UPCOMING AGENDA ITEMS – CONTINUE WITH CEMETERY ANALYSIS, HEALTH PLAN ISSUES, MARKETING, FOLLOW UP ON RECOMMENDATIONS MADE BY THE BOARD, FIRE ANALYSIS REPORT UPDATE, POLICE SUMMARY ANALYSIS.

Item 9. Adjournment -

Mr. Hallahan motioned to adjourn the meeting seconded by Ms. Blood. Said motion passed unanimously. The meeting adjourned at approximately 10:30 a.m. The undersigned is the Chairman of the Financial Review Board. The information provided herein - Minutes of City of Delray Beach Financial Review Board - Meeting of June 28, 2011. The Financial Review Board will formally approve these minutes on July 12, 2011.



Ms. Christina Morrison Pearce, Board Chairman