

## FINANCIAL REVIEW BOARD – MEETING MINUTES

**JULY 20, 2010**

CITY HALL – FIRST FLOOR CONFERENCE ROOM  
100 NW 1<sup>ST</sup> AVENUE, DELRAY BEACH, FL.

### **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  
Christina Morrison Pearce  
Jack Warner  
Yvonne Walker  
Rosalie Blood  
Hank Higginbotham

#### **STAFF PRESENT:**

Barbara J. Flynn, Finance Dept.  
Danielle Connor, Fire Rescue  
Amanda Solomon, Admin Services

### **Item 3. Approval of Agenda**

Mr. Ellingsworth asked for approval of the July 20, 2010 Agenda. Ms. Pearce motioned to approve. Seconded by Ms. Walker. Amended Agenda with items added items 8a- Website Discussion and 8b -Commission Concerns Said motions amended passed unanimously.

### **Item 4. Approval of Minutes**

- a.) Approval of Minutes of July 1<sup>st</sup> - Ms. Pearce moved to approve with discussion, seconded by Mr. Warner. After discussion Ms. Pearce modified her motion to table the minutes due to changes that require listening to the recording to verify. Said motion was passed unanimously.
- b.) Approval of Minutes of July 6<sup>th</sup> - Ms. Pearce moved to approve, seconded by Mr. Warner. One typo discovered and motion to approve with that correction. Said motion passed unanimously.
- c.) Approval of minutes of July 9<sup>th</sup> - Ms. Pearce moved to approve with discussion, seconded by Mr. Warner. One statement correction, motion to approve with changes. Said motion passed unanimously.

### **Item 5. Public Comment**

No public comments.

### **Item 6. Handouts**

- a.) Email from Mr. Harden in response to the Board's questions relating to the City Manager's expense budget gap-closing recommendations of \$7,272,970.
- b.) Mr. Warner's *DRAFT* of Specific Gap Closing Recommendations for the Board's review, and discussion.

### **Item 7. Open Issues –**

- a.) **Discussion on *DRAFT* of report to Mayor and Commissioners: Budget Recommendations (drafted by Mr. Warner, Gap Closing recommendations)**

Capital Improvements (\$1,500,000) - Mr. Ellingsworth stated the first item was to reduce the transfer (from reserves) for Capital Improvements by \$1.5million (original budget submission-CIP transfer was \$2 million). Ms. Walker stated this amount does not include funds that have an impact on operating. For instance a project may conceivably have an impact to operations such as additional staff needed for a facility. Mr. L'Herrou stated some Capital Improvements are for replacing something in existence such as road improvements which would have no impact. Ms. Pearce stated the computer system they are buying now is several million dollars but will meld together the paperwork for Fire and Police which saves doing the paperwork twice. The conclusion will be determined in a special meeting on July 23,2010.

Furloughs (\$2,080,000.00) – Mr. Warner did not agree with the furlough idea. By its nature would be temporary and would not be a long term change. This applies to everyone across the board, so all departments are affected regardless of priority. It leaves out non-personnel spending. He suggests an alternative such as departmental spending targets are set and the department heads then decide what reductions they are going to make to stay within those targets. Mr. Ellingsworth agreed that it may not be a permanent change, but that since it is a large amount of savings it will probably

be left on the table as an option. Mr. L'Herrou stated by keeping the furloughs in and not addressing the other issue of potential layoffs, it indicates the Board is saying that no employee is expendable. There are functions that the Board feels are expendable, but to agree with furloughs gives the impression the employee is expendable for those twelve days. So it is logically inconsistent. Mr. Warner agrees, however the policy of the Commission so far has been to avoid layoffs. Mr. L'Herrou mentioned a letter circulating among City staff with opinions stated by some employees that if there are to be furloughs how they might be handled. He stated the letter mentions taking two weeks around Christmas without pay, closing City Hall. Mr. Warner stated if the employees have a certain amount of control over the days they take off without pay it may be popular, however if they are imposed upon to take the furlough by the City management it is a different matter. How it is done is important from the moral perspective.

Mr. Ellingsworth discussed the four day week and if that is a viable alternative to create savings. Mr. Warner stated if your function requires customer service and interaction with other departments it is difficult. It may result in loss of productivity. Ms. Pearce mentioned by all appearances we will be in the same situation next year, and if the furloughs are temporary they will have the same problem in the future. She is against the fact that some employees have not received pay adjustments in two years while other City employees have received an adjustment every year. The furloughs do not address that, so she agrees with Mr. L'Herrou that this may be the time to lighten up some staff so others can be rewarded. In conclusion, the consensus of the Board is that furloughs are not a viable option.

Eliminate City contribution to Retiree Health Trust (VEBA) (\$703,800.00) – The Board has decided to leave this in as a cost savings recommendation.

Pension Plan changes (\$2,000,000.00) – Mr. Ellingsworth concern was that it did not seem equitable; relative size of the pension plans with a \$49 million unfunded liability in the Union related defined benefit plan, and \$2 million to \$3million unfunded liability in the general employees pension plan. Mr. Warner stated due to the bargaining units it is difficult to say when the changes would be implemented. Mr. Ellingsworth stated, long term they are going to look at pension plans. Across the board is not a good approach it does not seem fair or equitable, there should be a measure based on the size of the plan itself to determine how the \$2 million is negotiated. The Board needs to see the detail on the options that were presented by the City Manager. In conclusion they need more information, but would like to see it handled on a more equitable basis.

Reallocate Engineering Division costs away from General Fund (445,666.00) – Mr. Ellingsworth spoke with the Director of Environmental Services and there are a number of employees that are in Engineering, but they are paid under Water and Sewer Funds. At one point Engineering was reviewing 50 capital projects a year and they are now down to around ten. The capital budget has gone from approximately \$50 million to \$10 million so there is a significant decrease in volume. He stated this is similar to the permitting division which has had a reduction in volume. Staffing and organizational structure have to be addressed in the long term (citywide). Ms. Walker stated accounting wise, since Water and Sewer pays an administrative cost share and if the cost share is calculated correctly then Building Maintenance is part of that expense pool. The Board will leave in this as a recommendation although it just shifts the costs from one account to another.

Reduce Fire Department minimum manning by two (\$500,000.00) – Mr. Warner's perspective is there are many other ways to save money that do not go directly to one of the two core functions of the City (Police and Fire). They should have budget discipline, but this level of detail in staffing decisions is inappropriate. In a conversation with the Fire Chief he found the Fire Department feels this is temporary and they are asking to have the dollars restored in the 2011 budget. Mr. Ellingsworth's observations are that Fire Department has added 12 employees since 2000 which does not seem out of line, but it is more than other departments. He thinks the general employees have been taking the brunt of the cuts, and to not look at Police and Fire when it comes to budget cuts leaves only a few other options. Mr. Warner stated there are other options in the Fire Department other than reducing the manning by two. For example there may be arithmetic errors in the budget; the Fire Academy is not listed in the budget other than the amount for "coverage". Mr. L'Herrou stated they have moved a person who has a full time job in the Fire Department into providing support for the Academy. It has now become a full time job for that person, so they need coverage as overtime costs for when that person is not available, and the entire cost should be appearing in the budget. The employee dedicated to the Academy could return to regular duties of training personnel if the Academy function was cut. The Board requested Chief Connor to supply numbers on the entire cost that is dedicated to the Academy.

Mr. Warner also brought up the issue of EMS uncollected funds, stating the plan is to bring this function back "in-house". Chief Connor stated they are paying a collection company a flat rate with some added computation of Medicare/Medicaid percentages. There is a request for two employees to be hired to handle this.

In conclusion the Board would like to leave the decision to the Fire Chief to find ways to save the \$500,000.00 without specifying the reduction of manning by two.

Also discussed in relation to the Fire Department is the elimination of "Kelly Days". Ms. Pearce stated Palm Beach has eliminated them. She stated Mr. Harden alluded to changing the benefit program for people coming in and that is where you will see a rolling savings.

Additional Line item adjustments (\$43,504) – This amount will not be a recommendation by the Board due to the lack of detail.

CRA / DDA / private source funding for Commission external spending (\$127,100.00) – Mr. Ellingsworth stated the CRA is limited by statute of what they can and cannot do. Mr. Warner stated there are three options for the goal setting facilitator, Langton & Assoc., ECIVIS grant, Special Events functions; Sister Cities, AVDA, MLK Celebration and DMC Christmas Tree.

- 1.) These are not candidates for City funding so cut them completely.
- 2.) We will provide partial funding, and use other constituents or private funds for the rest.
- 3.) Or we agree to continue all of the current spending and that will require additional cuts in departments.

Ms. Blood stated there will be a meeting regarding Grants and Aids funding from the City on July 30, 2010 which she has received a preliminary total that will be granted of \$344,670.00 (not including the Library or Old School Square). Mr. Warner stated the combination of OSS and the Library is \$1.4 million. Mr. Ellingsworth suggested the DMC Christmas Tree be paid by the DDA.

In conclusion: The Board will leave this external spending amount in to be cut stating these are not essential core functions of the City.

Eliminate Administrative Services Department (\$217,723.00) – Mr. Warner states this is another layer of management on top of functions that are already provided by other departments in the City. Three of the functions fall within Parks and Recreation and Telecommunications could transfer to Information Technology. Ms. Solomon spoke of the Telecommunications stating there are several different parts to the function. As well as the telecommunication needs which is cellular data and the phone systems, there is an auditing process, customer service (front desk), contract management, maintenance, and phone bills. She stated she has been moved in and out of I.T. twice already. Mr. Warner recommended the employee and the function transfer (structural change only). The Asst. City Manager position and his Administrative Assistant would be recommended to be eliminated. Supervising events may not need Mr. Barcinski's level of management. With Mr. Barcinski's knowledge he would be better served to be redeployed to another high end position. They discussed how he would be valuable as a Contract Manager. After further discussion the Board concluded to not support the elimination of the Administrative Services Department.

Eliminate Assistant City Manager position (\$135,836.00) – Mr. Ellingsworth supports this as the original justification for this position may no longer exist; the functions can be absorbed by other departments. Mr. Warner had suggested the City Clerk's office report directly to the City Manager and the Public Information office report to the City Clerk. In conclusion the Board will support this recommendation.

CRA fully fund International Tennis Tournament (750,000.00) – Mr. Ellingsworth stated the CRA is marginally supported now with the funding they do provide and does not foresee the organization absorbing additional costs. Other CRA's contributions that may be considered are acquisition of City owned properties for instance the Historical Society, Spady Museum and Old School Square which could be \$10million to \$15 million dollars in value. He has discussed this with the CRA Director; they are making substantial contributions to these entities now. The new revised CRA plan shows they support these cultural facilities because they provide economic impact and maintain the core of the Downtown area. The CRA is agreeable to this possibility, however it may not be able to be accomplished before the budget comes out for this year. The maintenance costs for these three facilities a year is over \$100,000.00 a year which would be an annual savings for the City if the CRA purchased the buildings. Mr. Warner stated as an interim step towards possible ownership they could begin to pick up some additional ongoing annual costs of these buildings.

Reduce by 50% General Fund spending for Grants and Aids from FY 2010 level of \$1.85 million (\$900,000.00) – The current year budget shows combined contributions to categories of Economic Environment, Human Services, Culture Recreation, Old School Square and the Library. After a brief discussion, the Board decided to make a more detailed recommendation when more information is available.

**Other ideas – Mr. Ellingsworth**

The Downtown Development Association (DDA) should be paying the City for services; add recommendation - DDA Administrative Fee in the amount of \$87,000.00. Also the CRA should be contributing \$14,000.00 for the G.I.S. specialist.

**Ms. Walker-**

Re-Class Raises - Recommend supporting the City Manager's idea of deferral of the re-class pay raises (\$228,000.00) for another year.

Vehicle Rental Fee – The departments pay a vehicle rental fee to the City Garage. This money is used to replace vehicles; they bring in \$1.8 million. They are going to buy an emergency vehicle for \$270,000.00, a pumper truck for \$600,000.00 and \$850,000.00 for replacement vehicles. The City Garage account ends up with a surplus of \$224,000.00 that is not allocated and goes into reserve. We should recommend reducing the General Fund contribution to the City Garage by at least that projected (non-allocated) amount. They could also delay some of these acquisitions, and raise the useful life of vehicles before replacement is considered. The Board supports these recommendations.

Further discussion included some of the City Manager's other recommendations such as six unpaid holiday days, Kelly Days (which requires bargaining).

Mr. Warner recommends for the City Manager to set a spending target for departments and let the Department Heads decide how to meet those requirements. Using the City Manager's prioritization establishing percentages of reduced spending for each department or set a percentage across the board.

Mr. Warner will prepare a final document; Mr. Ellingsworth will attach a cover letter and submit to the Mayor. The Board decided to hold a special meeting to get a final revised report and vote on its approval July 23, 2010.

There was a discussion about the line item in the budget for the new Finance Director's salary listed at \$85,000.00 and the Assistant Finance Director's salary line item is \$106,000.00. Mr. Warner stated it may be overly optimistic to think you are going to hire a good finance director for \$85,000. Also it presents a problem with the Assistant having a higher salary than the Director.

**b.) Review Department/Division Budget Analysis –**

Due to time constraints Mr. Warner motioned to table item 7b, seconded by Mr. L'Herrou. Said motion passed unanimously.

**Item 8. Open Discussion –**

**a.) FRB Website Discussion -** Mr. L'Herrou motioned to table item 8a, seconded by Ms. Walker. Said motion passed unanimously.

**b.) Commissioner Concerns -** Mr. Ellingsworth spoke with two Commissioners and the Mayor and the general perception is the Board has been less than diplomatic. Also, something they were not aware of, the staff is feeling pressured.

Mr. Warner stated the Board has made three formal recommendations that have been ignored by the Commission. They requested for the Board to do the Waste Management Analysis, asked them to come to a Workshop meeting, and during the meeting the Commission did not ask the Board any questions or for their opinions.

Mr. Ellingsworth stated the group has taken this Board very seriously, they are committed to their work, the Commission may not have been prepared for the involvement the Board was willing to provide. This Board has taken a greater initiative than the Budget Task Force which may have been unexpected. The Board's intent was to help the Commission to cut through issues that were not brought to their attention previously. He asks the Board to be diplomatic and respectful while doing so.

**Item 9. Adjournment**

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

The undersigned is the Chairman of the Financial Review Board. The information provided herein are the Minutes of the City of Delray Beach Financial Review Board of July 20, 2010. Minutes were formally approved and adopted by the Financial Review Board on August 3, 2010.

  
Howard Ellingsworth, Board Chairman