

FINANCIAL REVIEW BOARD - MEETING MINUTES

TUESDAY – JANUARY 05, 2010, 8:30A.M.
ENVIRONMENTAL SERVICES ADMINISTRATION BUILDING

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
Brenda Durden
Christina Morrison Pearce
Yvonne Walker
Jack Warner
Helena Antunes-Boska (Alternate)
Rosalie Blood (Alternate)

MEMBERS ABSENT:

Robert Moore

STAFF PRESENT:

Joseph Safford, Finance Director
Barbara Flynn, Board Liaison
Rebecca O'Connor, Treasurer
Lisa Herrmann, Budget Officer

Item 3. Approval of Agenda

**Please note: Ms. Blood will be exercising her role as Alternate, voting in the absence of Mr. Moore for the duration of this meeting and Ms. Antunes-Boska (Alternate) will not be included in the voting process.*

Mr. Ellingsworth asked for an approval of the January 5, 2010 Agenda. Ms. Pearce motioned to approve, seconded by Mr. Warner. Said motion passed unanimously. Mr. Ellingsworth clarified that if there are new items added to the Agenda they will be added under Approval of Agenda, but not be voted on, and discussed under "New Business".

Item 4. Approval of Minutes

Mr. Ellingsworth asked for an approval of the Minutes of December 15, 2009.

Ms. Pearce motioned to approve, seconded by Mr. Warner. Said motion passed unanimously.

Item 5. New Handout Material

Mr. Safford provided the handout materials including the Agenda, Board Minutes, the Preliminary 2009/2010 Budget (which includes a breakdown by Department for their programs listing costs, functions, personnel information, etc.), Mr. Warner's recommendation to the City Commission relative to the Budget process, Mr. L'Herrou's draft of the Mission Statement, updated meeting calendar with dates and locations, a breakdown of the General Fund Revenues (Departments responsible for that revenue), current Actuals from the 2009/2010 Budget, and an Ad-Valorem Analysis.

Item 6. Open Issues

a) Mission Statement - Mr. Ellingsworth thanked Mr. L'Herrou for drafting the Mission Statement and a discussion on the terminology of said document began. Mr. L'Herrou intended for this to be a guide for the direction in which to focus. Mr. Ellingsworth stated the statement may be too broad and noted they will not approve a final draft until after the meeting with the City Commission. Ms. Walker asked Mr. L'Herrou to explain a statement concerning tax rates as being "fair and equitable". Mr. L'Herrou stated he wanted to express that the citizens should be taxed fairly for what they get in return. Mr. Safford noted that the Mission Statement could be a general statement, and objectives can be defined later. Mr. Ellingsworth feels that some goals are maintaining costs and looking at how to deal with the flat-line of City growth. Also to keep in mind that the goals of the Board may change as Commission members change. Mr. Warner brought up that there are resolutions from

the Commission (Res. #55-09 and #58-09) that may provide a helpful guideline in forming their statement. Mr. L'Herrou will be re-drafting the document based on the outcome of the discussion.

b) Written Proposal on Budget Process – Mr. Warner summarized his proposal by stating his perception of the current process is the information is provided up from the Departments in detail for both their Operating Plan and their Capital Plan. His suggestion is to start the process with more guidance and framework. For instance, the Commission would first make a policy statement placing a dollar amount on the total City spending. The City Manager and Senior Staff would allocate amounts among the Departments. The Departments would then have a target with the responsibility to come back with an Operating Plan to fulfill their mission within their target. Mr. L'Herrou asked if that would be open or for instance; would the Fire Department be asked to continue to fulfill certain services and do it within a specific dollar amount. Mr. Warner stated it was left open because when it comes to implementation they need to see what the Commission's and the Senior Staff's recommendations, perceptions and ideas would be. He would like to start with no millage increase, but it is a Commission decision. He feels that is important to realize that it will not be easy and specifically two things are going to happen, one of which the City is going to have to do fewer things than it currently does, and secondly the City is not going to be able to maintain the current number of professional staff. Again, it is up to Commissions' discretion.

Ms. Blood stated that how she sees the Board is that the Commission created it to help them; they (the Commission) rely on information from the staff. She feels the Commission will want information that the Board extracts to assist them with the decisions.

Mr. Ellingsworth spoke of short term goals such as looking at programs to see if they are still needed and the effectiveness of the programs, as well as long term goals that are more policy and/or process oriented. He stated that the idea of the Commission setting a cap on spending and the City Manager allocating the dollar amount to the Departments would be a whole new approach. The Department Heads would be responsible for finding ways to maintain or cut costs, determine what is needed and what is not needed, and decide how to spend funds within their range. He agrees this would be an effective approach. He asked Ms. Herrmann to describe in more detail the current Budget process.

Ms. Herrmann explained the Departments had in the past submitted the Budget in percentage levels – Level 1 was 85% of their current year's Budget, Level 2 was 100%, Level 3 was 103% and Level 4 had no maximum. But now, they only submit one Budget request and most come in at 100% of current year or higher. She stated it would be easy enough to tell the Departments **in advance** that their Budget requests need to be (for instance) 7% less than last year. Ms. O'Connor stated the projected revenues are the last thing reviewed by Mr. Harden (City Manager) because they are not known until near the end of the process. Mr. Ellingsworth feels that Mr. Warner's recommendation would be a much more efficient way to balance the Budget. Ms. Pearce agreed that she thought Mr. Warner's proposal was excellent and it makes much more sense to give the Departments a figure and tell them to build their Budget around it. Mr. Safford pointed out that the Budget, as it is currently passed, was approved by the Commission, therefore their view was that these are the programs that are important to us and we are funding these programs for this year. Also he explained how millage rates if not raised would impact the revenues vs. increasing the millage rate where the citizen tax bill would remain at the current level.

Mr. Warner stated the programs and services that the City provides, should not be determined by what we expect the revenues to be. They should be determined by public policy, residence and/or business needs and long term objectives of what we want to achieve. Then the question comes of how to pay for them. For the purposes of the process, rather than letting the Departments come back with an unrestrained choice, have the Commission establish some guidelines. The easiest way for the Commission to act would be to say "This is how much you can spend." The objective is not a millage or a revenue objective but rather what is the best way to form an Operating Plan.

Ms. O'Connor explained that last year we had the Department Heads rank all of their programs by importance. Then they compared how much money they had as revenues (using the roll-up millage rate). Then the Commission reviewed how much the residents were getting for their money. She stated the Departments don't get everything they want; it is determined by the rankings. What the Board is proposing may not be determined by ranking but by whether the Department meets their target. She added this may not be fair as one Department may

meet their amounts yet have programs which they possibly could do without when other Departments may lose valued employees.

Mr. Ellingsworth explained that initially the City Commission needs to set a number based on last year and expecting that our revenues will not increase and may even go down. Then the City Manager will have the responsibility to make the decision on how to allocate the General Fund to the Departments.

Ms. Walker stated that she thought that looking at the programs would be a function of the Board in order to make recommendations to the Commission. Mr. Ellingsworth agreed the Board will be helping the Commission look at the programs, the Commission will help the Departments to make their decisions.

Mr. Safford described in more detail the current process of the Budget preparation with the Departments receiving a report containing all of their fixed costs such as personnel and they build in other expenditures such as office supplies. Ms. O'Connor brings in the revenue side. The City Manager is required by law to balance them. Mr. Safford noted the revenues never exceed the proposed expenditures. He also explained the cutbacks that have been implemented in the past two years such as frozen wages and eliminated positions. The problem with allocating a target amount in the beginning of the process is that predicted revenues at this point may be incorrect. He expressed that some Departments may not be able to cutback further, maintaining the functions of their Department.

Mr. Ellingsworth stated the difference in the newly proposed process is the role of the Commission, that they currently get the Budget after it has gone through the process without setting the expenditure goals. If revenues come back less or more than expected at the end of the process they could go back and make adjustments. He stated that taxpayers do not want to pay more tax; therefore the City needs to contain costs. Mr. Warner agreed the difference in the process is the City Commission should be taking more active control in establishing framework. One change to start with is - the presumption that staffing levels are a "fixed" cost. In the economic environment that we are in the idea that people are not going to lose their jobs is unrealistic.

Ms. Durden agreed that "fixed" items do not have to stay "fixed". The Departments, if given a set amount as a target, may be the best ones to determine which items to change to meet goals. Mr. L'Herrou agreed staffing levels may need to change. He believes the Board needs to understand the process before making suggestions on processes or policy changes. Mr. Warner stated we should do this now rather than wait. Mr. Ellingsworth stated that today we should determine if we want to make a formal recommendation from the Board on this policy statement. Ms. Blood recommended presenting the suggestion to the Commission.

In regard to approve submission of the recommendation on January 12th when they meet with the Commissioners: After discussion, decision to email the Budget Policy Change Recommendation to Commissioners in advance for review. Ms. Pearce motioned to approve, seconded by Ms. Durden. Said motion passed unanimously.

In regard to amend the language in the recommendation prior to emailing: Discussion included process dates, assumptions on no millage rate increase, differences between millage and taxes, Departmental permission to look at reductions in staff and programs, and policy change duration. Mr. Warner agreed to make changes discussed to submit as a final draft. Mr. L'Herrou motioned to approve, seconded by Ms. Pearce. Said motion passed unanimously.

c) Review Responses from Community Revenue Enhancement Idea Contest – Mr. L'Herrou stated there were numerous suggestions on revenue enhancement submitted by the public. Mr. Ellingsworth explained the Contest idea initiated by Board member Mr. Moore, offered a \$1,000.00 award to residents for ideas on alternative sources of City revenues. The 1st place winner received \$500.00, 2nd place \$300.00 and 3rd place \$200.00. Mr. L'Herrou stated the winning idea was for the City to place advertising on City owned items such as trash cans. Mr. L'Herrou stated the Chamber of Commerce turned them over to the City Commission and the ideas may currently be in the hands of the City Manager for implementation. Mr. Safford stated the Parks and Recreation Department has implemented some advertising on pamphlets, the funds received from the companies for advertising pays for the cost of printing the pamphlets. However the ideas have not been fully implemented. The Board decided to focus on other issues rather than to pursue involvement.

d) Estimation of Millage Rate – Ms. Pearce stated information provided by Mr. Safford projected a drop of 10% to 12% in property value would equate to between four to five million dollars in reduced revenues. Mr. Ellingsworth asked if that number comes from assuming 55% of our revenues come from property tax. Mr. Safford explained that it means you are taking your present taxable assessed valuation and dropping it by that percentage.

e) Guidelines for Public Participation – Mr. Ellingsworth asked the Board for their preferences as to public participation. After a brief discussion the board agreed to:

- 1.) Allow the public to make comments.
- 2.) General comments would be accepted at the beginning of the meeting only.
- 3.) Comments limited to one minute.
- 4.) Comments regarding a specific Agenda item to be submitted in writing.

Ms. Pearce motioned to approve, seconded by Mr. L'Herrou. Said motion passed unanimously.

f) Items for Next Agenda – Mr. Safford brought up that there were several outstanding items from Budget Task Force Committee's recommendations. Mr. Ellingsworth added this for review as an Agenda item.

Ms. Pearce stated the Board should review the current pension program for the Police and Firefighters. Mr. Safford noted there is a study ongoing by a consultant for both the General employees and the Police and Fire employees looking into alternatives including extending out the time before employees can start taking benefits and many others. Mr. Safford explained the City Manager had eight or ten items that went to the Actuary for each pension plan; they have returned an impact statement. The City Manager is now evaluating that information. Mr. Safford will contact the City Manager to see if he would like to turn the project over to the Board. He stated there are State Statutes and Union issues involved so the legal work may not be completed. Mr. Ellingsworth noted they will put it on as an Agenda item for review in case the information becomes available.

They discussed the Preliminary Budget document included in the handout materials. Mr. L'Herrou suggested inviting the Department Heads to review their programs with the Board. Since there are fifteen Department Heads, they would prioritize Departments to determine the order in which to meet. Mr. Safford added it may be helpful to the Board to review a report that the Department Heads compiled "ranking" their functions by importance. Mr. Ellingsworth added the review of this report to be an Agenda item.

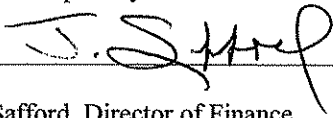
Mr. Warner asked Ms. Herrmann when the third party organizations and NGO's do their requests for funding. Ms. Herrmann stated the letters go out - due back by the end of May and reviewed in July. Mr. Warner recommended adding an Agenda item to look at the form that they use for funding requests.

Item 7. New Business – None.

Item 8. Adjournment

Mr. L'Herrou moved to adjourn the meeting seconded by Mr. Warner. Said motion passed unanimously. The meeting adjourned at approximately 11:05 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 January 5, 2010, which minutes were formally approved and adopted by the Financial Review Board on 1/19/2010.



Joseph M. Safford, Director of Finance