

FINANCIAL REVIEW BOARD – MEETING MINUTES

MARCH 22, 2011

434 S. SWINTON AVENUE, DELRAY BEACH, FL

Item 1. Call to Order

The Chairman of the Board, Mr. Howard Ellingsworth called the meeting to order at 8:35 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Howard Ellingsworth, Chairman
Christina Morrison Pearce
Luise Plane
Rosalie Blood
Martin Cherry

MEMBERS ABSENT:

Peter Arts
Cheryl Shaffner (Alternate)

STAFF & GUESTS PRESENT:

David A. Boyd, Finance Director
Diane Colonna, CRA Director
Barbara J. Flynn, Finance Dept.

Item 3. Approval of Agenda-

Mr. Ellingsworth asked for approval of March 22, 2011 agenda. Ms. Pearce moved to approve the agenda, seconded by Ms. Blood. Said motion passed unanimously.

Item 4. Approval of Minutes -

Approval of Minutes of Meeting of March 8, 2011 - Motioned to approve by Ms. Pearce, seconded by Ms. Blood. Said motion passed unanimously.

Item 5. Public Comment – No public comments

Item 6. Handouts –

Ms. Pearce presented a written response from the City Manager addressing her budget concerns. Also articles on what other cities are doing with their benefit plans and the Florida League of Cities poll of registered voters report.

Mr. Ellingsworth would like the Patrol Dispatch Data Analysis distributed to the Board for review at the next meeting.

Item 7. Open Issues-

A.) INTRODUCTION OF MR. DAVID BOYD, FINANCE DIRECTOR

Mr. Boyd started with the City on March 1, 2010 and was previously the Finance Director for Smyrna, Georgia. He has toured the town and is impressed with the activity he has seen in the downtown area.

B.) INTRODUCTION OF MR. PETER ARTS, NEW (REGULAR) BOARD MEMBER

Mr. Arts was unable to attend today's meeting.

C.) CONTINUE DISCUSSION ON CRA (COMMUNITY REDEVELOPMENT AGENCY) ACQUISITIONS OF PROPERTY

Mr. Ellingsworth stated the general concerns; when the CRA/City acquires these properties they are taken off the tax rolls, also is it the best use for the grant funds, and considers the cost going forward if they are made into parks.

Ms. Colonna explained the state grants have a program to provide aid for land acquisitions to turn into parks and green spaces. She discussed an area by the Teen Center between the two Federal Highways (NE 5th and 6th Avenues/ and 5th and 6th Streets) that currently are a vacant Auto Body repair shop and a Greyhound bus station in bad condition. Both properties are for sale at a cost of \$2.3million, Parks and Recreation personnel have asked for a grant for \$1.3million and working on the remaining costs to be divided between the City and the CRA. The CRA is trying to improve the Federal Highway corridor, so it would be consistent with what they are looking to do in that area. There is definitely more expenses to consider in demolition of the existing buildings, building the park and maintenance over time. Even though these properties are removed from the tax rolls, the goal is the surrounding property value would increase. The CRA has funded many other projects in the S.W. area between Swinton Avenue and I95. They have been creating "pocket parks" and other amenities for neighborhood beautification. Currently Martin Luther King Blvd. is being landscaped and artwork added. As part of a plan amendment, they are incorporating money for future maintenance to reduce costs to the City.

Mr. Ellingsworth continued to discuss the Federal Highway acquisition stating the grants may be ¼ of the costs, so before applying for the grant they need to consider costs of clean up, perhaps there is contamination from the previous business. The project could amount to \$4 or \$5million when completed. He stated the City does not have this kind of funding. He recommended more planning and analysis prior to purchase.

Ms. Pearce stated a new market is also planned in that corridor. Property sales are picking up. She researched the tax dollars associated with those properties the CRA is looking to acquire; \$100,000 in tax dollars would be lost annually if those properties were taken off the tax rolls. The CRA could clean up land, resell it and possibly rezone to an SAD if they want to continue to buy property. This would still beautify the area *and* keep it tax producing. Mr. Ellingsworth agreed with Ms. Pearce's concerns.

Mr. Cherry asked how the CRA is funded and Ms. Colonna stated it is by tax dollars; a portion of the property taxes.

D.) RECOMMENDATIONS FOR PARKS AND RECREATION: (Presented by Ms. Pearce)

Discussed at previous meeting, however several members were absent, so Ms. Pearce outlined her recommendations for the benefit of the absent members.

Brief Outline of issues:

1. Parks and Rec. is not considered a core function
2. Budget steadily increasing at a growth of 2% per year even during the recessionary period of 2009-2011
3. Other core functions have been made to decrease their budgets i.e. public safety down 4.54%
4. The City continues to add more parks
5. Budget costs 14% - revenue 1% - not self sustaining; relying on tax dollars
6. Topics to consider from research of other cities in Palm Beach County:
 - A.) Palm Beach Gardens Parks & Rec. has become a self sustained department by implementing a new policy stating that recreational programs must generate sufficient fees to support those programs or services.
 - B.) Jupiter restructured the way they account for their Parks & Rec. department due to significant overlap in Public Services. They realigned their budget - reducing Parks & Rec. budget from 9.1% to 5.6% of the total City budget.

Brief Outline of recommendations:

- 1.) Reduce the Parks & Rec. budget to not more than 10% of the total City budget. (Cut 4% / \$1million)
- 2.) New parks must come with their own funding sources, initial and continuing
- 3.) Implement a procedure to monitor usage of parks so underused parks considered for dissolution or change of use
- 4.) Increase the use of the Resident Card program and charge higher fees for non-residents
- 5.) Expand the use of programs such as "Adopt a Park", kiosks, fence banners and other "soft" revenue producing mechanisms, especially at all major parks and facilities.
- 6.) Expand volunteer program to eliminate some paid positions
- 7.) Review fees on an annual basis and adjusted based on market conditions and other use factors
- 8.) Higher fees for non-residents should be set at all parks, programs and facilities
- 9.) Encourage respective neighborhoods to adopt "pocket" parks and take over maintenance rather than using tax dollars for upkeep of almost exclusively used neighborhood parks
- 10) Expand internship programs with local universities with the goal of eliminating some paid positions, reducing some salary, benefits and payroll overhead expenses.

Mr. Boyd discussed the parks in Georgia in comparison, stating they did not have as many pocket parks or "passive" parks and their parks were much larger. In general they are paid for out of the tax dollars. The national organization ICMA keeps statistics on how much cities spend on various components of their budget. The average across the nation spent on parks would vary. In Smyrna, GA., less than 10% of the overall budget was provided for parks. Generally there were no fees to enter the parks unless it was for a sporting event in which they would charge the organizations. Parks are usually not self sufficient and don't make money.

Mr. Ellingsworth discussed the tennis tournament, with a twenty (20) year contract they are committed to pay \$1million and there may be another \$500,000 in future maintenance costs to the City; the CRA also contributes another \$500,000. It is a huge commitment for a weeklong event. The rationale for support is exposure for Delray Beach. However, as tax payers is it really a benefit to them?

Mr. Cherry discussed Wellington, an equestrian community. Most residents did not attend the Polo matches, but it still made the town internationally known. He believes the money spent to keep international attention to the City of

Delray Beach would be worthwhile. In Wellington, there is tax dollars spent on the equestrians, Polo is privately funded but tax money is spent on infrastructure, trails, etc.

Mr. Ellingsworth mentioned he has reviewed the contract for the tennis tournament and when that contract was written they should have added benchmarks to collect data. Who is attending the tournament? A majority may be local people, who are not staying in the hotels or spending money in the downtown area. They should do a marketing study on the economic impact. The concern is that 4% of our budget is spent for a five (5) day event with nothing to insure income to the downtown area.

Ms. Pearce added that the promoter was housing all of the tennis tournament players in Boca Raton. Some players spoke up wanting to stay on Atlantic Avenue in Delray Beach.

Mr. Ellingsworth stated Parks and Rec. should monitor peak usage of parks which may in turn change staffing levels needed. They were discussing a citywide requirement that the parks maintain logs/records that has not yet been implemented. He wanted to add another item to Ms. Pearce's recommendations – The CRA to amend their resolution to include funding for maintenance and improvements for all parks within the CRA area.

Mr. Cherry (referring to item #2) stated the parks will never be self sufficient, so to mandate that, you are basically saying "no more parks". Mr. Ellingsworth agreed with Mr. Cherry that the passive parks will not be self sufficient. Ms. Pearce disagreed; there may be a new sport that would make this possible. Mr. Ellingsworth stated the fact is we need to understand the funding sources before we approve a new park. He would like Ms. Pearce to add to her recommendations; determine how the park is to be funded, without increasing taxes. The recommendations will be approved after editing.

E.) STATUS OF TENNIS CENTER CONTRACTS: Ms. Pearce will speak with Mr. Barcinski and Mr. Boyd on the status of the contract in particular in relation to the Senior Tour and the Tennis Tournament contracts. Mr. Ellingsworth is opposed to continuing with the Tennis Tournament that results in an extra \$750,000.00 expenditure. Motion to table this item made by Mr. Cherry, seconded by Ms. Pearce. Said motion passed unanimously.

D.) REPORT ON HEALTH CARE CLINIC:

Mr. Boyd discussed options on health insurance. He has experience in this area and has found ways to reduce costs without damaging benefits. A key component to any good health care plan (while containing costs) is "wellness". The largest component of cost is hospitalization. Keeping people out of the hospital can control costs. The Wellness Center is going to be a key component of that. In Smyrna, GA. it took at least two years of mandatory participation before seeing reduction in claims. Factors need to be under control such as diabetes, and other high risk factors such as high blood pressure, cholesterol, etc. Within a few years we should see a savings factor. Your main goal is to stop the growth of the costs. Two things affect your health care costs 1.) National Trends 2.) Internal Trends. If this clinic keeps our internal trends down it will help mitigate the national trends.

Mr. Boyd is presenting some options that will provide analyses of the cost advantages of having the clinic. He has worked with accounting for retiree health care in the past. He determined (with the help of an actuary) reductions in costs from \$30million to \$5million had much to do with the wellness program. That included implementing analytics to monitor the costs.

Mr. Boyd stated they are discussing (for our city) making the wellness program mandatory. If you don't participate in the program you pay a much higher premium. Smokers pay even higher premiums. There are regulations stating the difference in the premium can only be a certain percentage. If you are told you have high blood pressure and they meet with you periodically, discussing diet, etc. you have to show progress. If you don't show progress you will revert back to the higher premium.

Ms. Pearce stated Anne Gannon, Palm Beach County Tax Collector gave employees three (3) months to quit smoking. If they did not quit, their premiums greatly increased.

Mr. Boyd stated they want to control risk factors employees have control over, not factors such as aging. You cannot discriminate against older people, but you can discriminate against people that have high risk factors and do nothing to improve.

F.) STATUS OF FRB RECOMMENDATIONS:

Mr. Ellingsworth explained to Mr. Boyd one of the Boards first recommendations was: the City Commission should set a spending target for each department early in the budget process. The department would then submit a budget within this target amount, preventing budget shortfalls.

Mr. Boyd addressed this recommendation and spoke of the system they developed in Smyrna following the economy problems starting in 2008. Mr. Boyd developed a plan called "twelve month rolling" including 1.) Analysis of revenues and expenditures in order to predict six months ahead (as well as at any given time) the profit or loss in the general fund 2.) Accurate financial statements every month that show a trend over a three (3) year period. He will be working on developing these procedures for our city. Most revenues in government are consistent – fall, rise or flat over time. Property taxes depend on the digest that rolls in every year, however it can be estimated. They used an electronic system using the estimated revenue and as the budget requests were entered in the database they were subtracted so you could see where the surplus was going. As far as setting a target spending amount they did not do that because then the staff decides budget cuts instead of the elected officials. He feels it is better (based on the estimated revenues) to present options to the department heads to be within budget. His opinion is to look at what we don't need any more rather than cut a percentage from each department. The elected officials make those hard decisions.

Mr. Ellingsworth explained why they made this recommendation was based on the idea that the department heads would be the most aware of what could be considered for budget reductions within their own departments. The City Commission and the City Manager look at the budget submissions and make final recommendations of where we can have cost savings, but the department heads should be aware in advance.

Mr. Boyd stated the way the budget is done here is to look at functions. So rather than cut a percentage out of each departments budget they can review the functions we can do without. Importantly, public safety is something where we don't want to reduce services; however it is the majority of your expenditures in most cases. If you want public safety intact, other departments have to reduce budgets even more.

Mr. Ellingsworth stated in his opinion the pension plans (defined benefit) are not sustainable. Mr. Boyd said they did change the pension plan in Smyrna to a defined contribution plan for new hires; they kept a defined benefit plan but increased the employee contribution to where it was not an attractive option. Mr. Ellingsworth stated Police and Fire comprise 60% to 65% of our budget. The pension plan is a large portion of that and he does not feel we can decimate the other departments for something that is not sustainable.

Ms. Pearce stated West Palm Beach ended their defined benefit plan by dispersing to the employees their portions for reinvestment. Union contracts have to be negotiated.

Item 8. New Business and Open Discussion-

A.) CEMETERY – Ms. Pearce discussed the issues that were brought to the Board concerning accounting for all of the cemetery plots, fees, etc. and asked if we should make a basic recommendation. Ms. Walker provided an analysis but has since resigned from the Board. Mr. Ellingsworth stated Ms. Walker should complete her analysis and the Board will request a copy of her report to the City Manager.

B.) CHARTER REVIEW – Ms. Pearce asked if the Board should make a recommendation to the City Commission that a Charter Review be implemented. One reason would be to change the way City Commissioners are elected, length of terms, and to review how the City is managed. Mr. Ellingsworth stated we should look into that only if there is a financial impact.

C.) FINANCIAL STATEMENTS – Ms. Pearce would like to see where our budget stands vs. actuals. Mr. Boyd stated we have to develop internal financial statements to include actual financial statements with a balance sheet and income statements. The data and information is on the iSeries, but queries need to be set up to get the correct reports such as three (3) years of actuals and current year compared to budget.


D.) EMS BILLING COLLECTIONS – Ms. Pearce stated we have recently changed the collection procedures (brought back in-house from outsourcing), and recommended getting an update from the Fire Department on collection improvement. Mr. Ellingsworth would like to see the accounts receivable aging this year (in-house) vs. last year's (outsourced). Two positions have been added so the Board would like a cost return analysis.

E.) Mr. Ellingsworth would like for Mr. Boyd to attend the Board meetings if possible to provide interaction with the Finance Department.

F.) The Board discussed the ranking of functions which is done by department heads. The Board will be making recommendations based on their opinions as well.

Item 9. Adjournment -

Ms. Piani motioned to adjourn the meeting seconded by Ms. Blood. Said motion passed unanimously. The meeting adjourned at approximately 10:15 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 March 22, 2011. The Financial Review Board formally approved these minutes on April 12, 2011.


Howard Ellingsworth, Board Chairman