

## FINANCIAL REVIEW BOARD – MEETING MINUTES

OCTOBER 25, 2011

100 N.W. 1<sup>ST</sup> AVENUE, DELRAY BEACH, FL. 33444

### Item 1. Call to Order

The Chairman of the Board, Ms. Christina Morrison called the meeting to order at 8:15 A.M.

### Item 2. Roll call

#### MEMBERS PRESENT:

Christina Morrison, Chairman  
Rosalie Blood, Vice Chairman  
John (Jack) Hallahan  
Anthony Cottone  
Luise Piane  
David Stein, Alternate  
Sharon Roth, Alternate

#### MEMBERS ABSENT:

Jeff Ritter

#### STAFF & GUESTS PRESENT:

Barbara J. Flynn, Exec. /Tech. Asst.

### Item 3. Approval of Agenda-

Ms. Morrison asked for approval of October 25, 2011 agenda. Mr. Cottone motioned to approve the agenda, seconded by Ms. Blood. Addition to New Business – a.) Board Liaison b.) Response to Mr. Harden's letter. Said motion passed unanimously with additions.

### Item 4. Approval of Minutes -

Approval of Minutes of Meeting of October 11, 2011 – Ms. Piane moved to approve the minutes, seconded by Mr. Cottone. Said motion passed unanimously.

### Item 5. Public Comment – None.

### Item 6. Handouts –

- Mr. Cottone provided budget information on Tennis Center, Stadium and Lakeview Golf Course.
- Fire Study Analysis (emailed) by Ms. Flynn.
- Draft for Discussion: Proposed Recommendations for City Cemetery provided by Ms. Morrison.
- Letter from Mr. Harden regarding responsibilities and communication.

### Item 7. Open Issues-

A.) TENNIS CENTER OPERATIONS ANALYSIS: Mr. Cottone provided detailed budget worksheet information for each the Tennis Center and Stadium Expenses as well as Lakeview Golf Club Revenues. He explained there are two tennis sites; Delray Beach Tennis Center (Atlantic Avenue) and Delray Swim and Tennis (Laver's Circle) that have expenses depicted in the first printout and went over each line item. Items of discussion included the following:

A1) Tennis Center Expenses: \$1,176,415

- \$385,770 – Other Professional Services. Question: What does the 36,000 Accounting Allocation Expense cover? What are the duties of the salaried employees?

JCD Management Group receives \$3500.00 a month from the City to manage, but in addition to those expenses they also receive all of these additional salaries and expenses paid for by the City to run the Tennis Center.

- 372,770 – Other Contractual Services. In total the City lost \$400,000 running the Tennis Center, yet Dubin & Associates (JCD) received a fee of \$32,000 plus an additional \$6,000 bonus for achieving their goals. Mr. Stein questioned a line item of \$328,000 which Mr. Cottone explained of the \$410,000 – 80% or \$328,000 is paid to the pros for lessons. The City keeps 20% which is in line with other cities. The City feels limited in what they can charge but Mr. Cottone has some alternative recommendations coming up.

Mr. Stein asked if the Swim and Tennis site could be separated from the City, and Mr. Cottone explained it cannot be due to the agreement with the condominium association with rights to first access usage of ten courts for ten years, with the understanding the City manages and maintains those courts.

Mr. Cottone stated the JCD four year contract was up for renewal next year; however the City Commission just renewed the contract for an additional four years (without putting it out for bid).

- \$2,740 Telephone expense

- \$73,080 Electricity for DB Tennis Center
- \$25,000 Water and Sewer
- \$30,290 Irrigation Water
- \$9,410 Waste Collection and Disposal
- \$4,120 Stormwater Assessment Fee
- \$26,400 General Liability
- \$36,800 Health Care Premiums - Mr. Cottone stated in his opinion the whole point of the City allowing the management company to run the facility is they don't have to pay pensions and health care premiums. Question: Who are these health care premiums for? Is it for the City workers that are brushing the courts? There is \$100,000 in expenses listed for maintaining and brushing the courts and in addition, bags of clay at a cost of \$21,000.
- \$35,000 Other Insurance Costs
- \$10,000 Building Maintenance
- \$55,000 Other Repair/Maintenance – Mr. Cottone stated of this amount \$15,000 is for windscreens which should last ten years, and they were not tied and fastened properly causing damage requiring replacement.
- \$10,500 Advertising – Mr. Cottone feels this should be increased and has new ideas on membership programs.
- \$18,000 Tennis Merchandise – Tennis balls for sale, etc.
- \$970.00 Memberships
- \$33,000 Tennis Tournament

In Summary: A total expense to the City of \$1,176,415 with an operating loss of \$400,000 per year.

Questions to address:

What is the City's income to offset these expenses? When is the gymnasium used? Why limited number of memberships per capita? How can we get more memberships (currently only approximately 150 memberships)? Can cheaper memberships be sold to Delray's Junior's competitive levels? What are the schools doing, do they have tennis programs? What are the salaries and duties of the employees? Can the center become more user friendly, where there is possibly food and beverages to encourage people to stay longer? If the City pays so much for expenses, why can't the City sponsor a tennis program to provide free tennis courts and clinics to Delray youth on off-peak hours?

Mr. Cottone's idea is to have an after school program with tennis teams for students and especially for the underprivileged. They could come for free and we provide tennis balls & racquets to use and lessons. This would be an after-school program and note: the library is right across the street. There could be a tournament between the schools, and the best tennis player from the group wins a prize (i.e. iPad or Laptop). This would be a way for the City to be known for providing free tennis lessons to underprivileged children. In exchange for the free lessons you could have the older kids could teach the younger kids, and they could help brush the courts. This tennis program could be held at the Delray Swim and Tennis center as well. Pay one person to manage the youth program from the City budget, which is already allocated to salaries.

Mr. Cottone related a story how he received scholarships and became a champion tennis player from taking part in this type of program as a child, provided by the generosity of a gentleman in his neighborhood.

The Board agreed this is a wonderful idea and will support his efforts. There was a group discussion on funding or reallocation of monies to support this program, supply tennis instruction, and the logistics to get the youths to and from the facility. This will be discussed further at the next meeting.

#### A2) Tennis Stadium Expenses: \$2,132,240

For the management of the stadium used for the tournaments and the courts surrounding it there is a separate budget worksheet. Mr. Cottone's suggestion is – if the tennis stadium is used once or twice a year, to completely close the tennis stadium down and save all the money on electricity, insurance, water/sewer, cleaning and painting of the facility. It should not be maintained every day of every month when no one uses the tennis courts. If someone wants to pay to rent the stadium then they should be charged for the use of it, and have it be closed otherwise. The budget line items discussed by Mr. Cottone were:

- \$70,000 – Other Professional Services: There are some of these items are needed but there are savings that could be had. (We are paying an additional 15,000 for management of the stadium above the 30,000 for the tennis center).

- \$20,000 – Electricity: This could be so much less if only needed two weeks out of the year.
- \$40,000 – General Liability: This could be saved by closing the stadium.
- \$23,000 – Building Maintenance ( for dry-rotted windscreens )
  
- \$2,600 – Operating Supplies for cleaning
- \$1.2 million – Tennis Tournament: We pay Mr. Mark Baron this as a fee, however Mr. Baron does not pay for the following – bleacher rentals, private security, signs, portable lighting, stadium lighting, ball kids, flooring for tents, etc. The City pays for these expenses separately.
- \$55,000 – Chris Evert Classic Tournament: This is just a weekend tournament. Mr. Cottone feels they should be paying us, but the City is paying them to host an event here. This is a charity event so the \$55,000 could be the City's donation to the charity.
- \$160,210 – Players International Management, Inc. – This may be for the Junior Tournament. Mr. Baron also has an international Junior Tournament which attracts 130 of the top kids in the world to play tennis here. If the City made the choice to donate all of this money to be a tennis community, then let's donate some to the underprivileged.
- \$443,750 – Champions Senior Tour: Also paid to Mr. Baron for getting McEnroe and other senior champions to play here.

Mr. Cottone is told the revenue for the Stadium is \$978,000; which equates to a loss of \$1.1 million. This is just for running the Stadium, in addition to the \$400,000 loss for the Tennis Center for a total of \$1.5 million or more between the two.

Ms. Pearce asked if there would be a direct reduction if we eliminated the Stadium operations except for the special tournament, or is it a portion of the total payroll divided between the two centers. Mr. Cottone will verify the savings.

Mr. Stein agrees that groups should be paying us to use the facility; not the City paying them a fee to use our facility, and they may want to research other cities to see how this is normally handled.

The next meeting the representatives from the JCD Group will be attending and the Board would like to suggest to them the tennis program for underprivileged children and discuss how this can be achieved. A list of questions will be prepared and forwarded in advance so JCD Group can prepare for the discussion. The Board's intention stated by Mr. Stein is for a collaborative effort for improvement; to help the City make more money as well as making things better for the residents of the City. They have a world class beautiful facility, they are doing a great job, but let's see if it can be done better.

#### A3) Lakeview Golf Course: \$873,580

Ms. Morrison has suggested the City sell this golf course since we have the Delray Beach Golf Course and may not need to own two. If sold it would bring this parcel back into the tax rolls for income to the City. Mr. Cottone would like the Board's input submitted by the next meeting.

B) CEMETERY ANALYSIS: Mr. Hallahan found that in the last three years since we had taken it back over, we have sold thirty five (35) gravesites and had 416 burials. Most of the burials were done on pre-purchased plots. The revenues for those three years equaled \$238,545 with an average of \$79,500 per year. Internment costs for the same period were \$88,800 (revenue \$72,000). We had budgeted for the Cemetery \$376,000 in 2009; \$382,000 in 2010; \$263,000 in 2011 and \$383,000 for 2012 - Parks and Recreation Department only. Adding in the \$40,000 for City Clerk's Office equals over \$400,000.

Parks and Recreation has the Cemetery in the budget under Miscellaneous. Mr. Hallahan stated if the Cemetery is a primary function of the City it should not be under miscellaneous. He will continue working on the project and put a full presentation together for the Board.

Mr. Hallahan met with City Clerk's Office and found there is a book named the Delray Beach Memorial Gardens Index of Burials from September 1903 to September 1987 created by the Palm Beach Genealogical Society, and it provides more records he did not previously know existed.

### **Item 8. New Business and Open Discussion-**

A) LETTER FROM CITY MANAGER: Mr. Hallahan read a portion of the letter "before the Board undertakes a study and review of certain functions, the Board is to seek approval from either the City Manager or the Commission". He

reminded the group that the work they are doing with the Tennis Center or the Cemetery analyses may not be permitted until they receive approval. Additionally the letter stated "reviewing the marketing of the City the Board may be exceeding its scope of responsibility." Mr. Hallahan feels this restricts the actions of the Board, but the City Manager has the final say.

Ms. Morrison read a portion of what is on the City website about the Financial Review Board stating "The Financial Review Board will review the City's budget, systems and procedures, technology improvements, or related materials and concepts and make recommendations regarding revenues, salaries and benefits, operating expenses, debt service expenses, capital outlay, grants to other entities and transfers to other funds or any other items that may favorably impact the City's budget and overall financial condition." This is what the Board has been doing. Ms. Morrison stated Mr. Harden is one of the most well like City Managers and does a fabulous job and wants to discuss this with him to get his guidance. A good idea in the letter was to reinstate a City liaison (which used to be Mr. Safford, Director of Finance). If the Board agrees, she would like to recommend Rich Reade, Sustainability Officer, or Doug Smith, Asst. City Manager, or an Internal Auditor to be the Board Liaison. Mr. Smith oversees technology, puts computer systems in place and chooses software the City runs on. After some discussion, the Board decided to convey to Mr. Harden that they would like to be working on in the Cemetery, the Tennis Center, formation of an Internal Auditing position, Property Disposition to add to the tax rolls, Fire and Police Data Analyses, Central Procurement with Contract Administration and Marketing of the City.

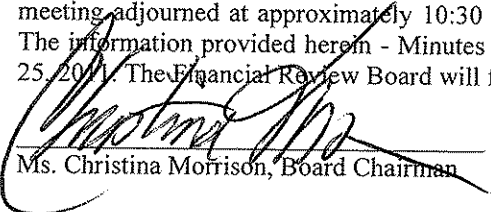
Ms. Piante has reviewed Planning and Zoning and Community Improvement and found they have had an increased income this year over previous years. She did not have any recommendations.

Mr. Cottone had previously mentioned an "Internal Auditor" and Mr. Stein stated most cities hire someone that is an Internal Auditor for \$36,000 a year or so - their duties being to go through each department and each departmental function auditing the processes. Ultimately if the Board can lead to the establishment of an Internal Audit position for the City of Delray, the Board could work with that Internal Auditor. The auditor could direct the Board to troubled areas in which to focus their attention. He recommends evaluating through the Florida League of Cities, what is the average budget of a City that has an Internal Auditor to see if Delray Beach falls into that range. Mr. Stein had worked in this position as an intern for the City of West Palm Beach and knows the auditors can save a city millions of dollars. Mr. Cottone agrees the auditor will audit every department and is trained to find savings. Ms. Morrison suggested putting together a proposal with background information on the way the City is operating without an Internal Auditor and how the Financial Review Board can work with the auditor towards financial improvements.

AGENDA ITEMS FOR MEETING OF NOVEMBER 8, 2011 -- TENNIS CENTER MANAGEMENT ANALYSIS WITH JCD REPRESENTATIVES INVITED.

### **Item 9. Adjournment -**

Ms. Blood motioned to adjourn the meeting seconded by Mr. Hallahan. 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 October 25, 2011. The Financial Review Board will formally approve these minutes on November 8, 2011.

  
Ms. Christina Morrison, Board Chairman