

FINANCIAL REVIEW BOARD

December 1, 2009

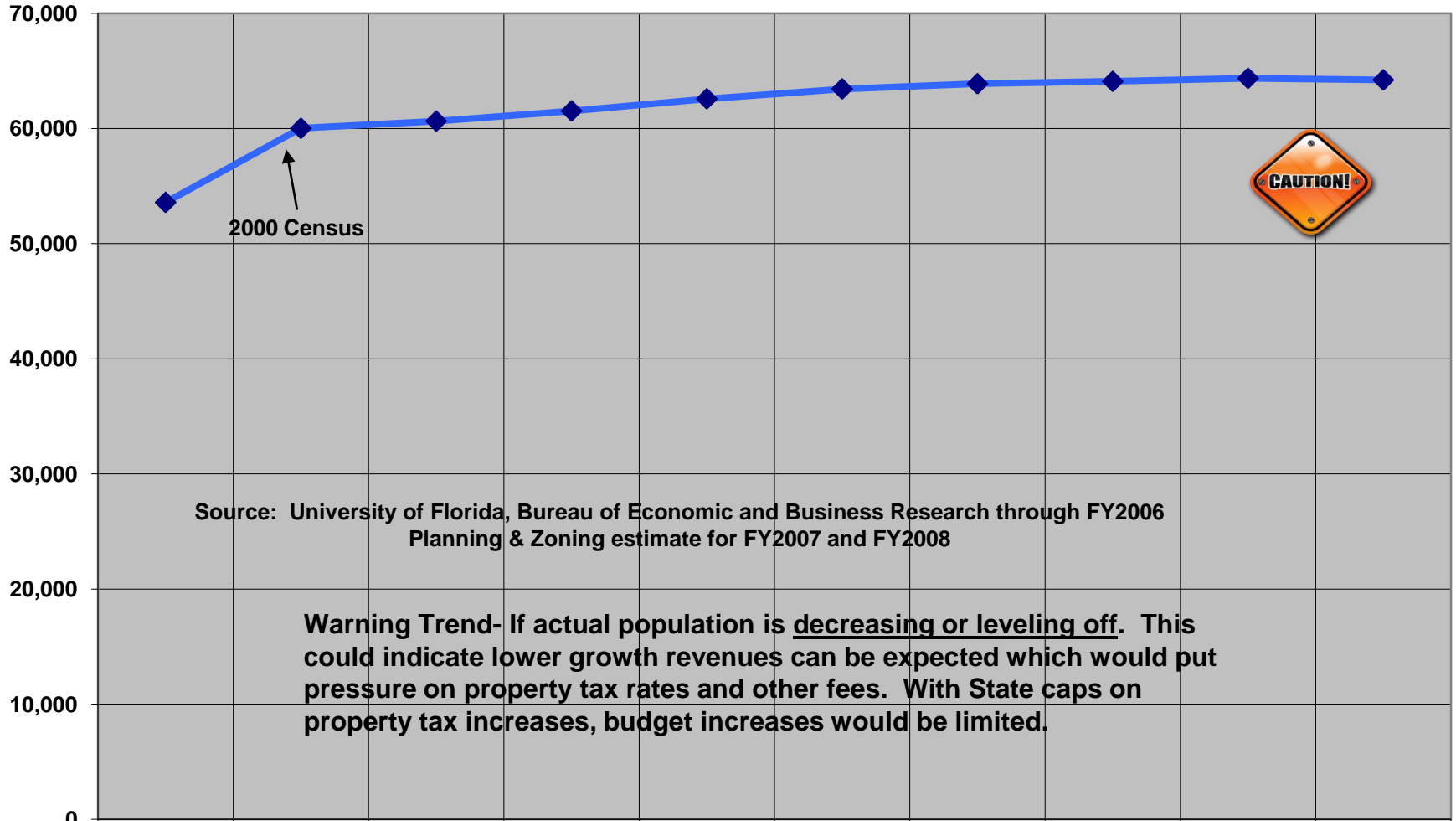


GENERAL FUND

MAJOR FINANCIAL ISSUES

- 1. CURRENT ECONOMIC CONDITIONS**
- 2. CITY APPROACHING BUILDOUT**
- 3. LACK OF GROWTH REVENUES**
- 4. STATIC POPULATION GROWTH**
- 5. SCHOOL ENROLLMENT DECLINING**
- 6. DECLINING PROPERTY VALUES**
- 7. STATE MANDATES, LEGISLATION,
AND REFERENDUMS**
- 8. COLLECTION OF DELINQUENT
ACCOUNTS RECEIVABLES**
- 9. PENSION PLAN COSTS**
- 10. COMMERCIAL VACANCIES**
- 11. UNION VS. NON-UNION
PRESSURES**
- 12. MAJOR FIXED COSTS**

City of Delray Beach Population



Source: University of Florida, Bureau of Economic and Business Research through FY2006
Planning & Zoning estimate for FY2007 and FY2008

Warning Trend- If actual population is decreasing or leveling off. This could indicate lower growth revenues can be expected which would put pressure on property tax rates and other fees. With State caps on property tax increases, budget increases would be limited.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population	53,589	60,020	60,645	61,527	62,578	63,439	63,888	64,095	64,360	64,220

City of Delray Beach School Enrollment

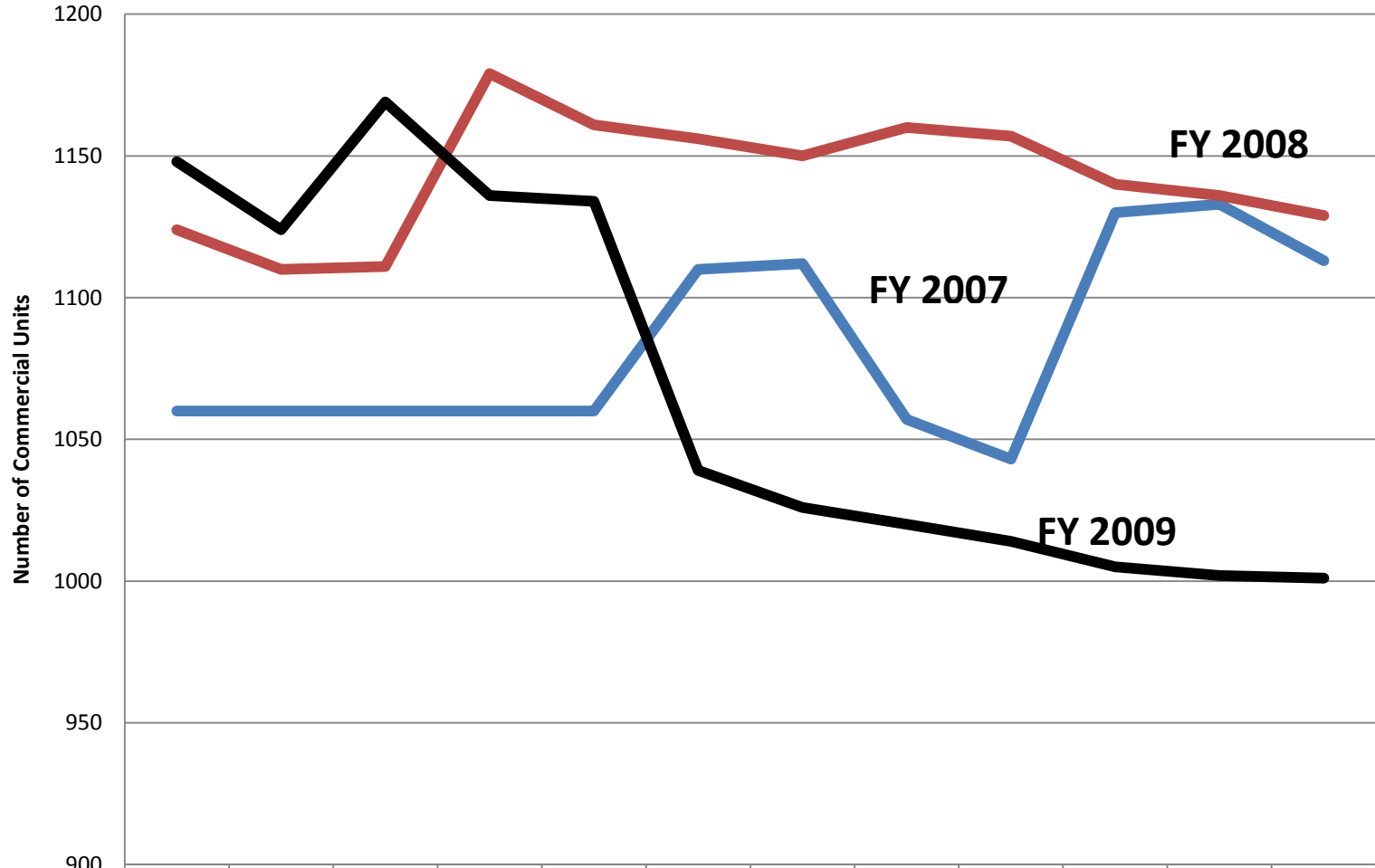


◆ Enrollment

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

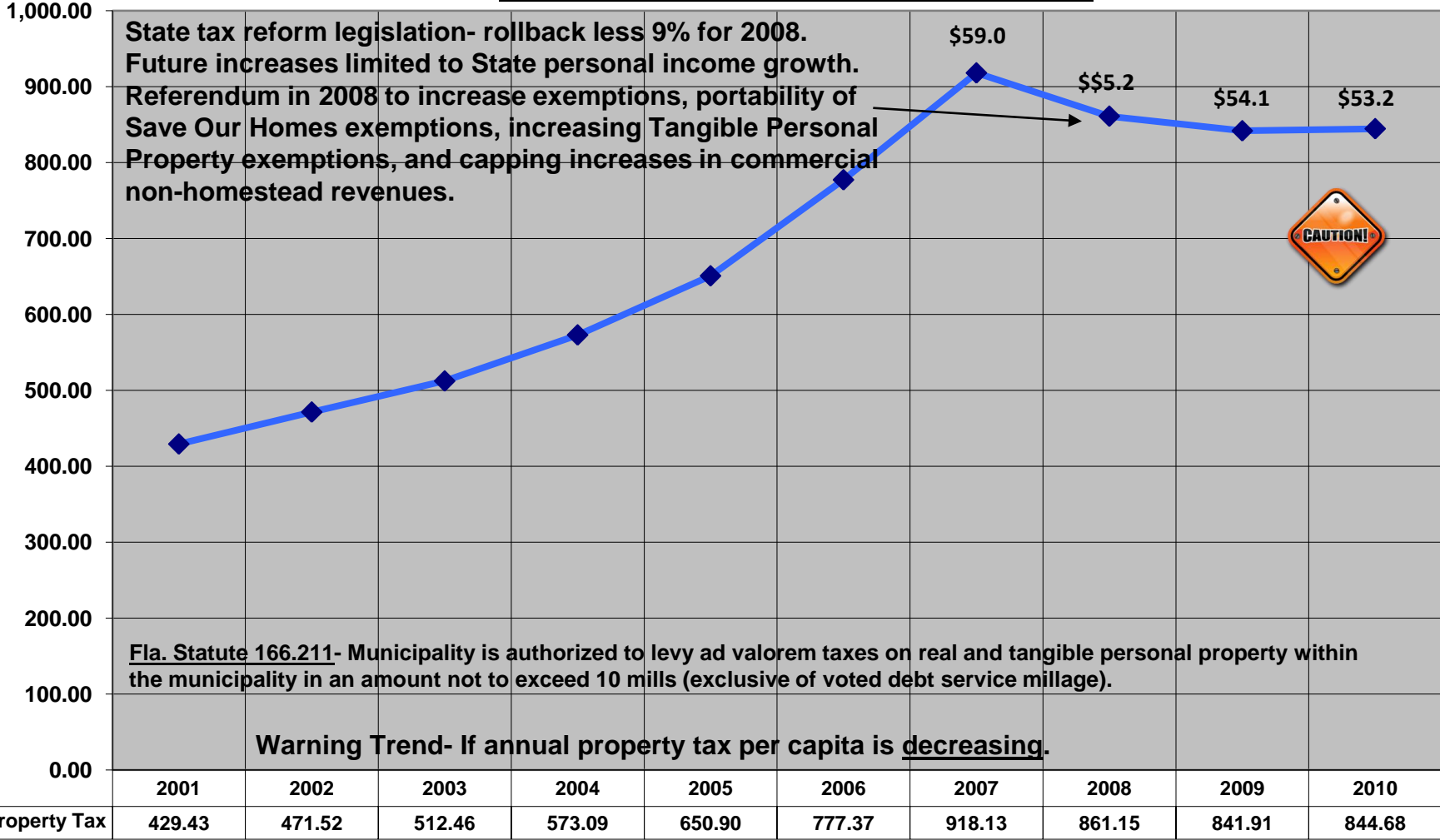
9,634 10,141 8,950 8,321 8,186 7,852 8,652 8,100 7,839 7,807

Number of Commercial Garbage Units

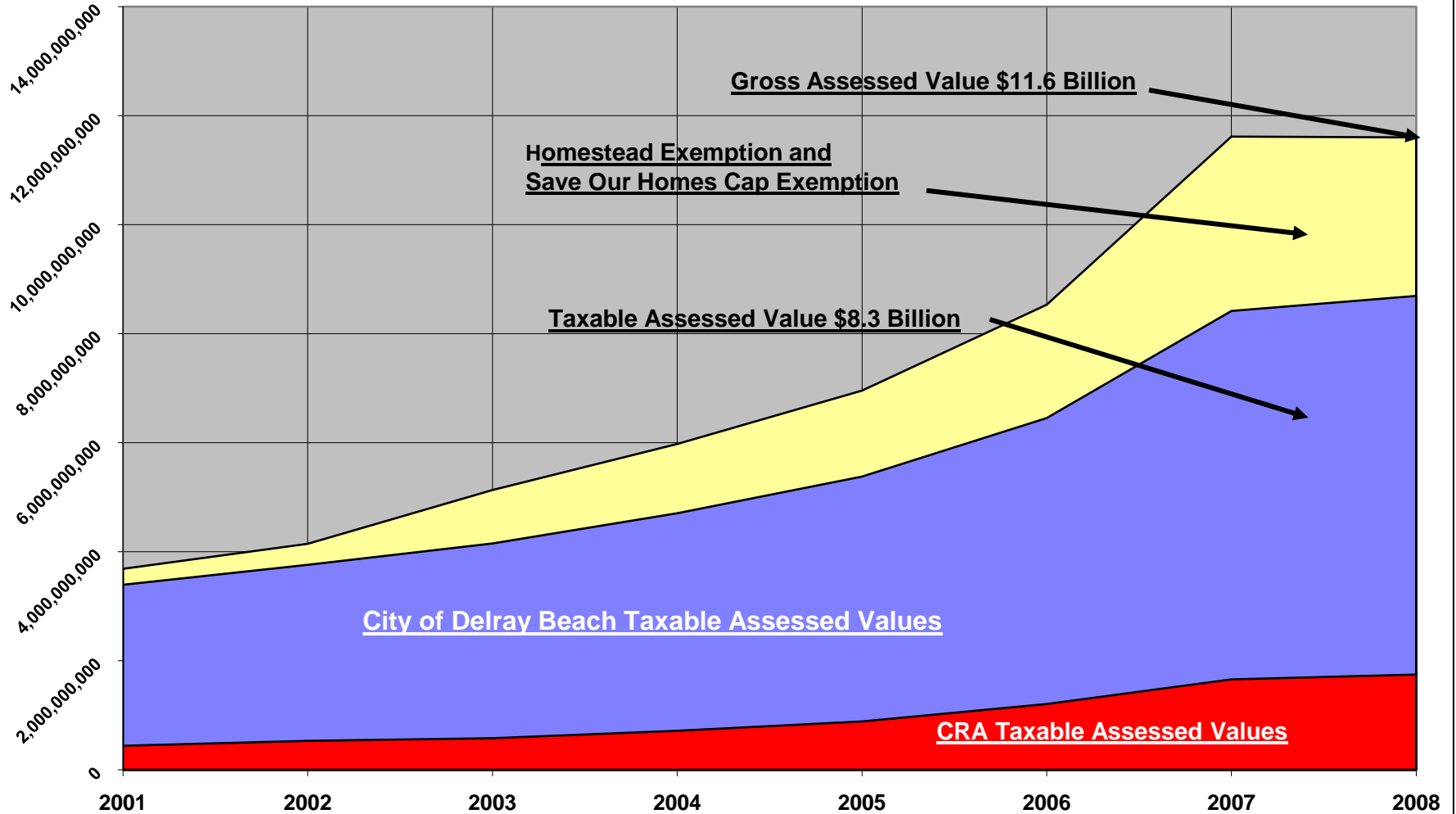


FY2007	1060	1060	1060	1060	1060	1110	1112	1057	1043	1130	1133	1113
FY2008	1124	1110	1111	1179	1161	1156	1150	1160	1157	1140	1136	1129
FY2009	1148	1124	1169	1136	1134	1039	1026	1020	1014	1005	1002	1001

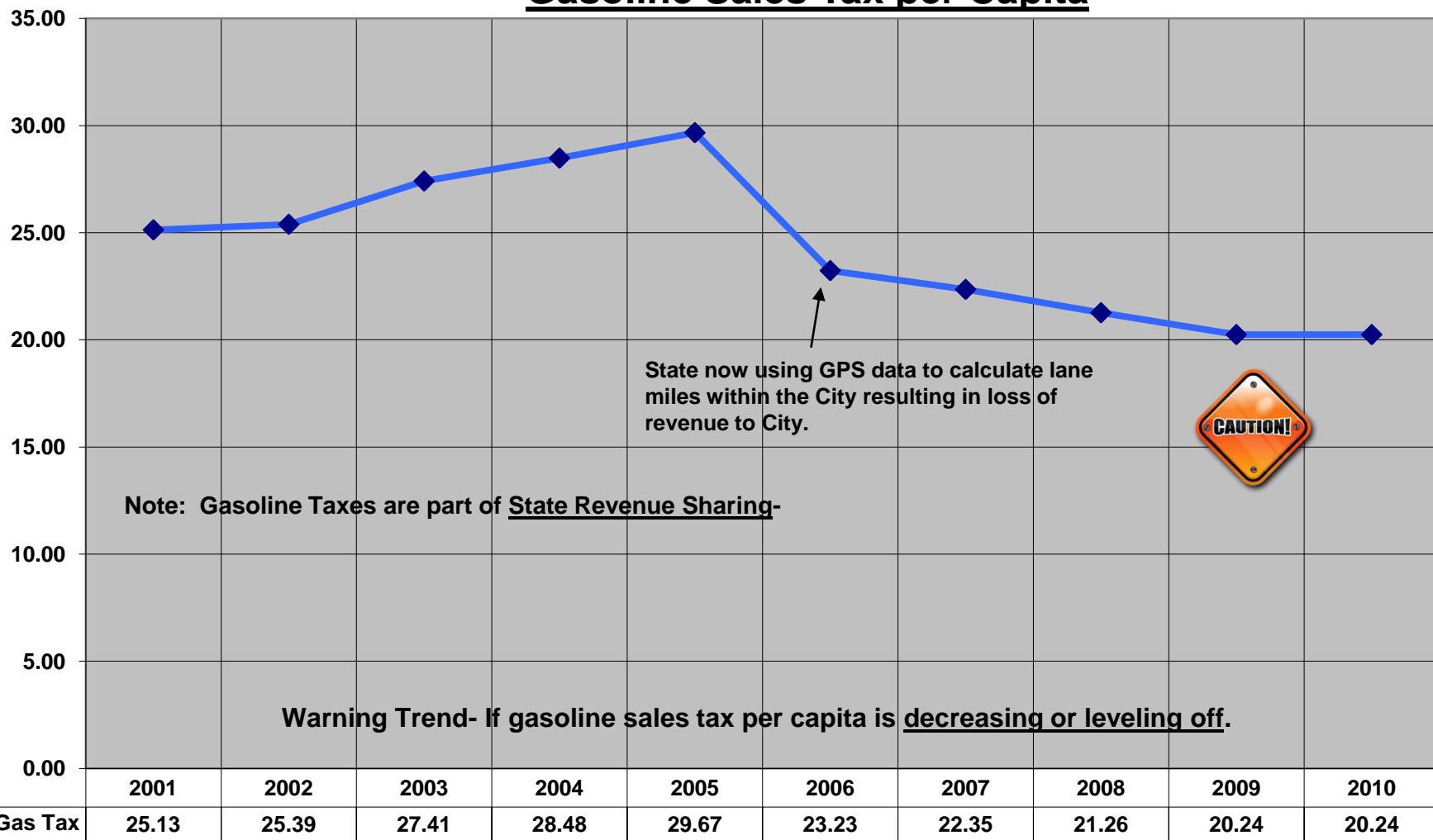
City of Delray Beach Annual Property Tax per Capita



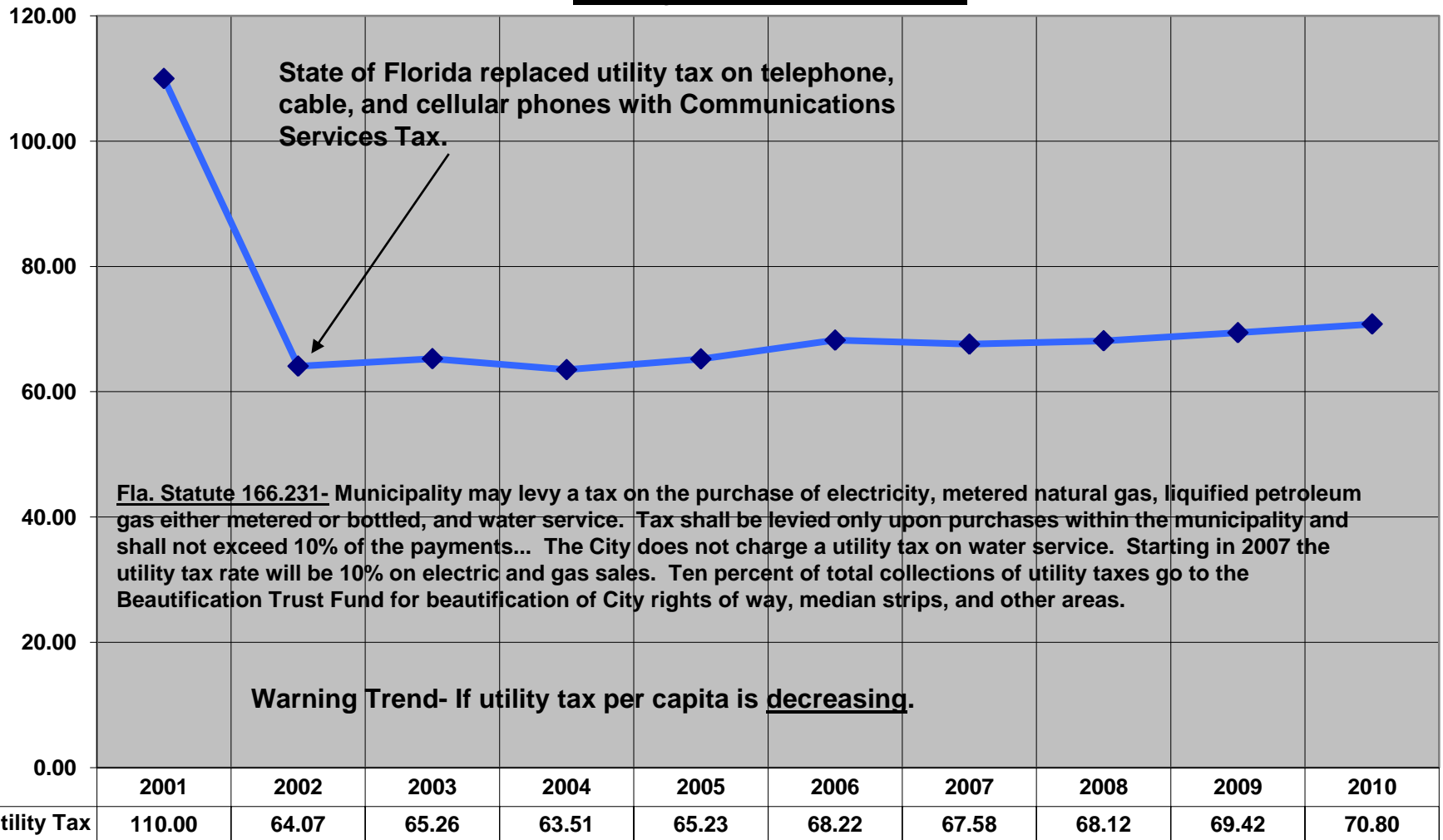
City of Delray Beach Gross vs. Taxable Assessed Valuation of Property



City of Delray Beach Gasoline Sales Tax per Capita



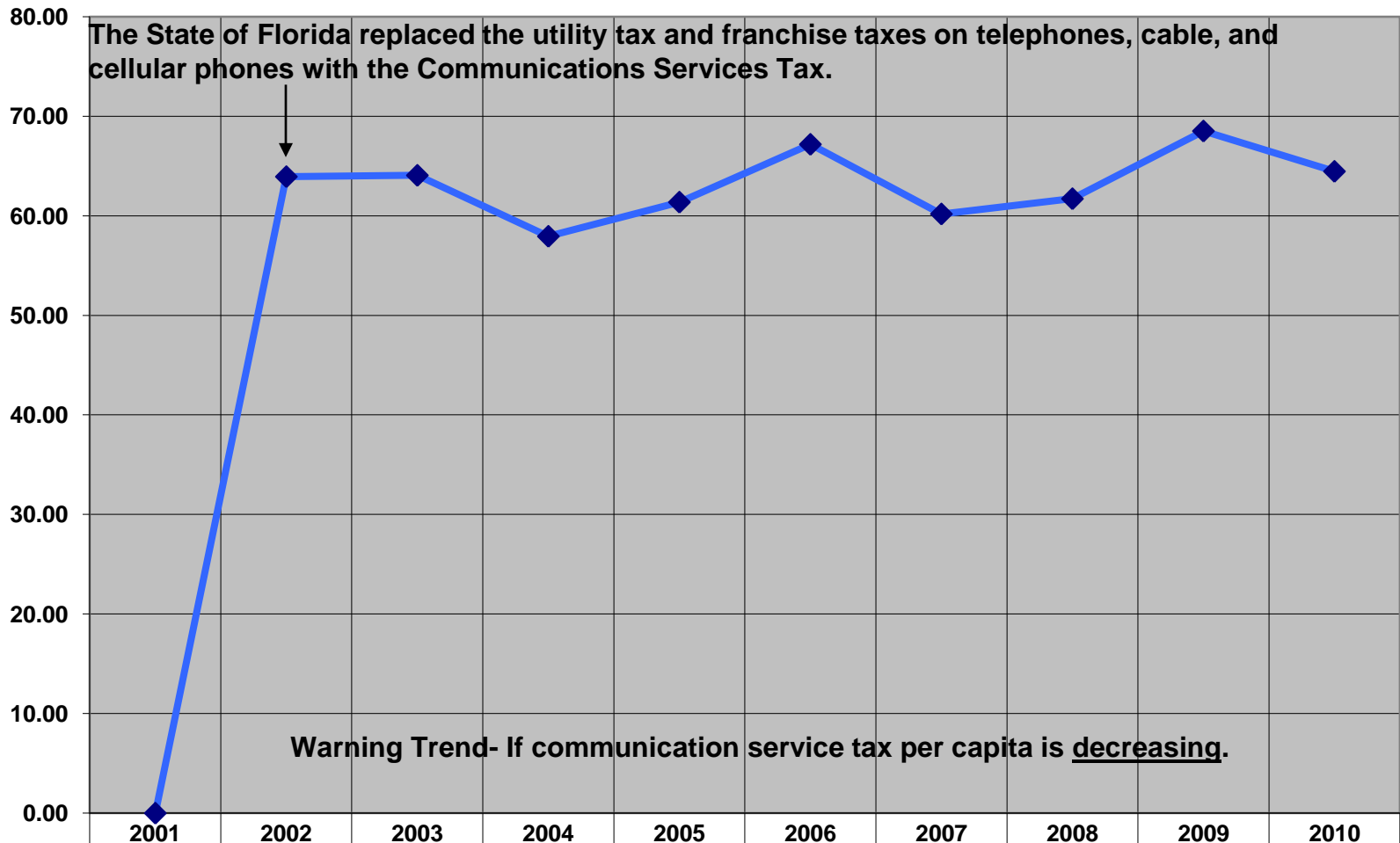
City of Delray Beach Utility Tax per Capita



Fla. Statute 166.231- Municipality may levy a tax on the purchase of electricity, metered natural gas, liquified petroleum gas either metered or bottled, and water service. Tax shall be levied only upon purchases within the municipality and shall not exceed 10% of the payments... The City does not charge a utility tax on water service. Starting in 2007 the utility tax rate will be 10% on electric and gas sales. Ten percent of total collections of utility taxes go to the Beautification Trust Fund for beautification of City rights of way, median strips, and other areas.

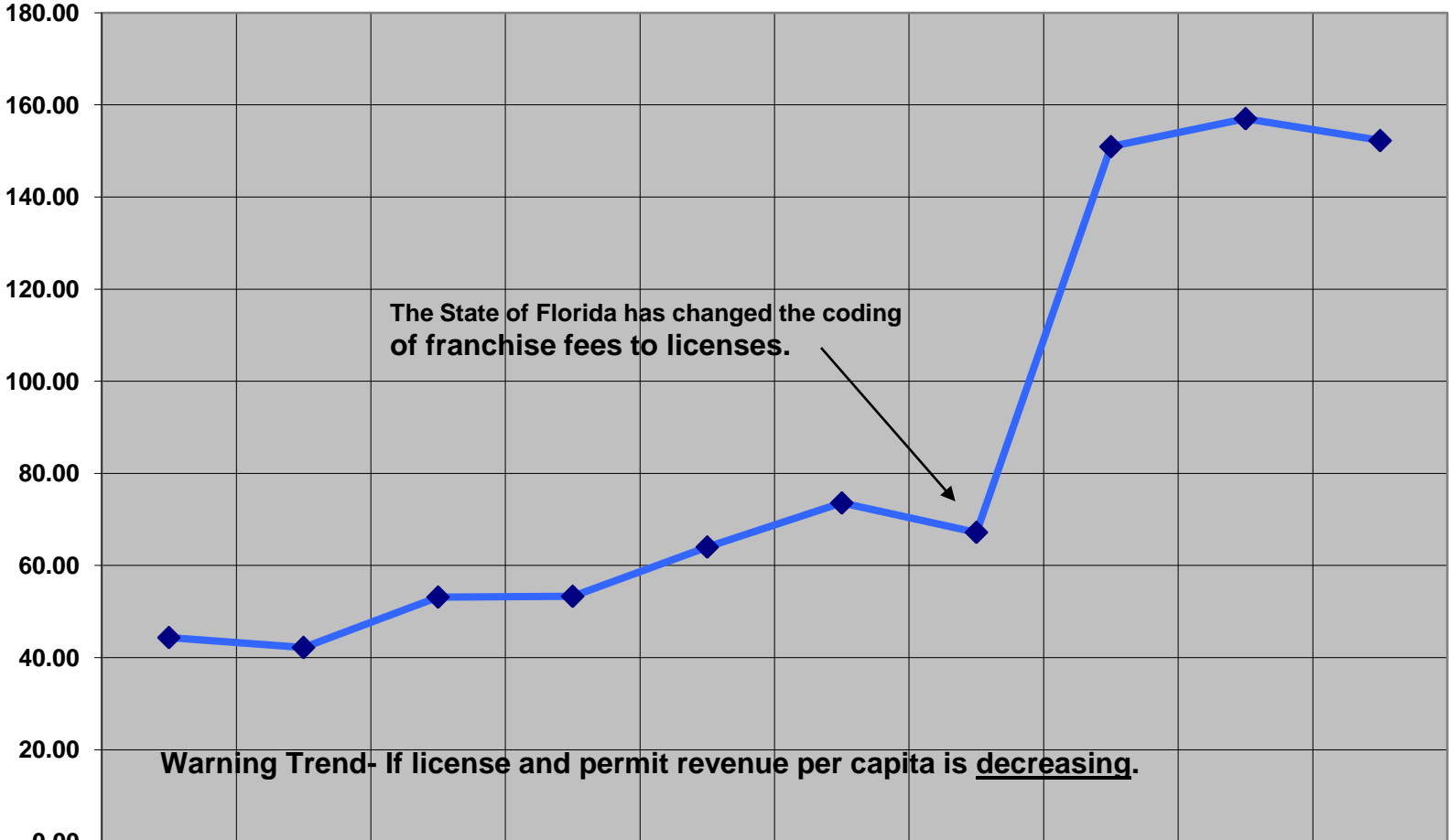
Warning Trend- If utility tax per capita is decreasing.

City of Delray Beach Communications Services Tax per Capita



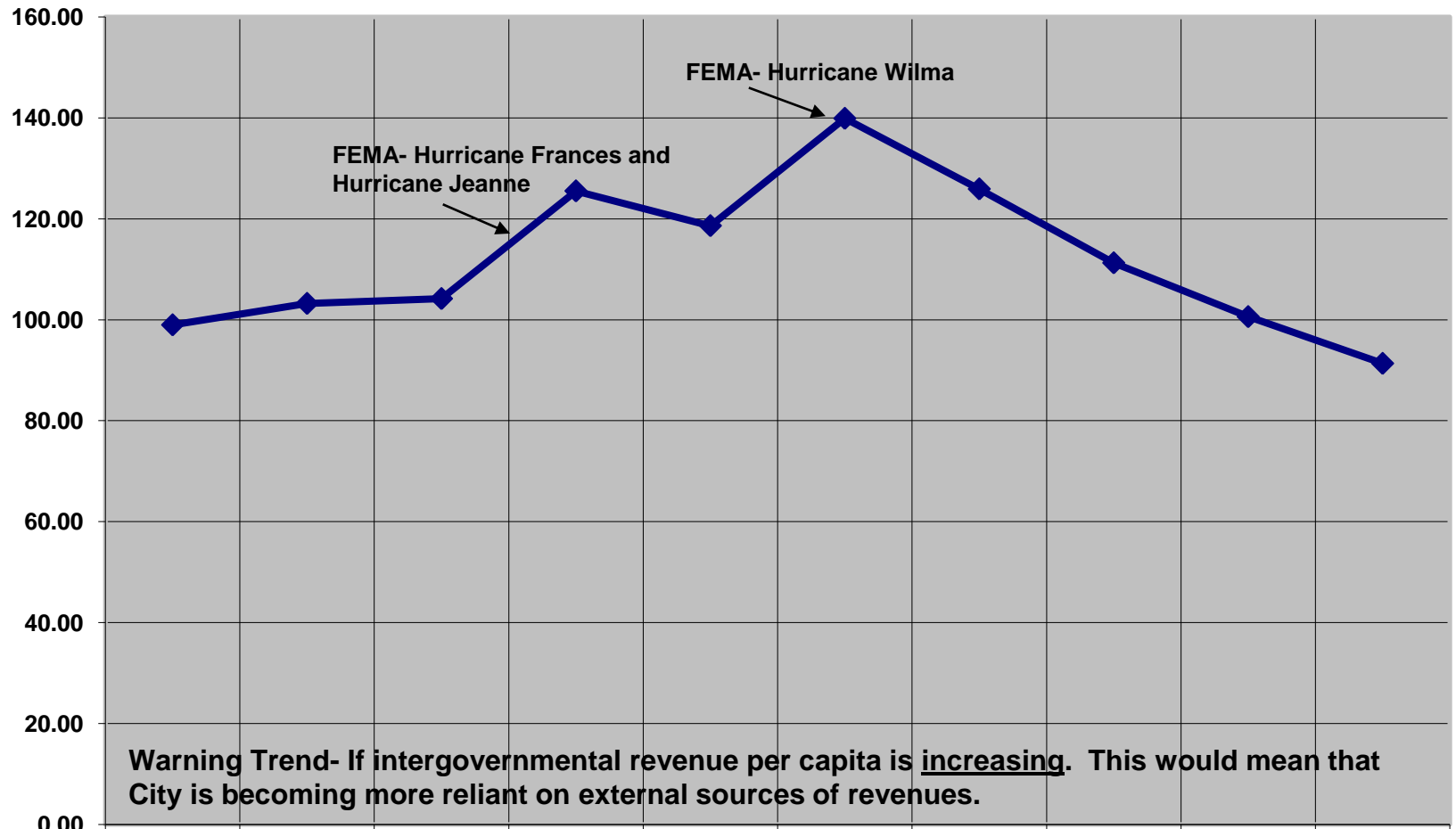
Comm Service Tax	0.00	63.93	64.07	57.94	61.37	67.18	60.19	61.72	68.51	64.47
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City of Delray Beach Licenses and Permits per Capita



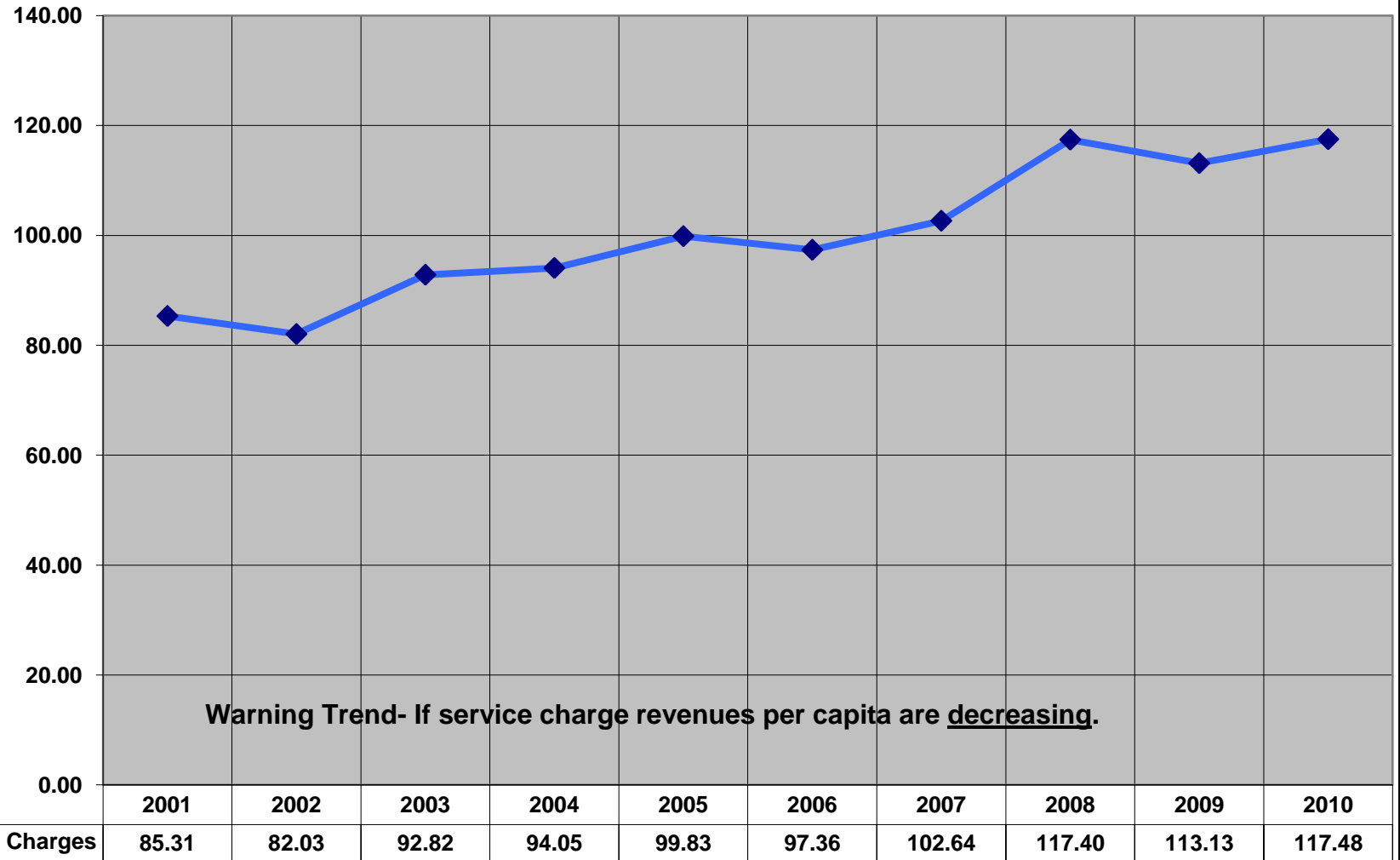
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Licenses and Permits	44.35	42.20	53.14	53.31	64.01	73.58	67.20	150.95	157.03	152.28

City of Delray Beach Intergovernmental Revenue per Capita

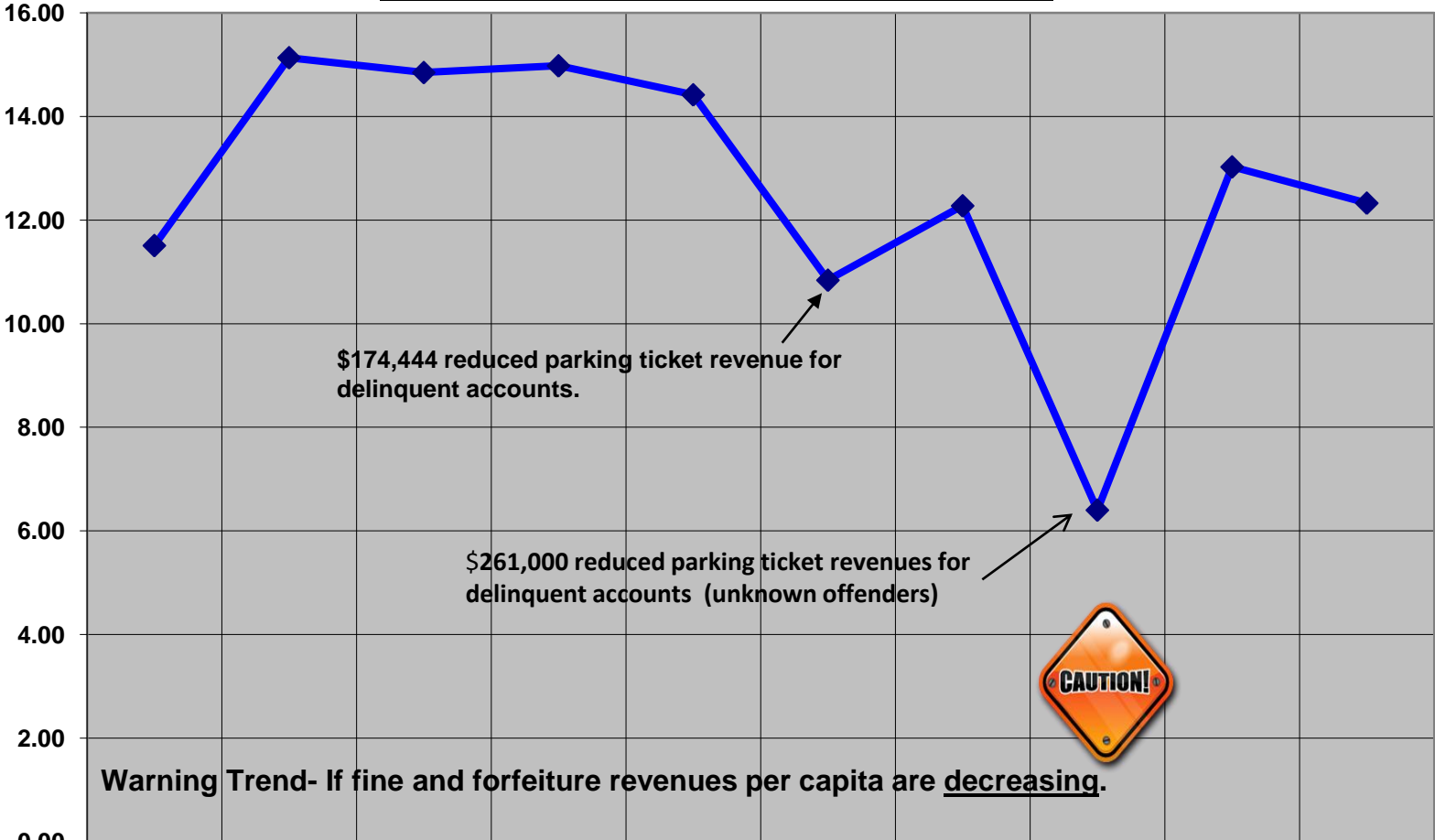


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Intergov. Revenue	98.98	103.22	104.18	125.51	118.62	139.88	125.90	111.27	100.60	91.35

City of Delray Beach Service Charges per Capita

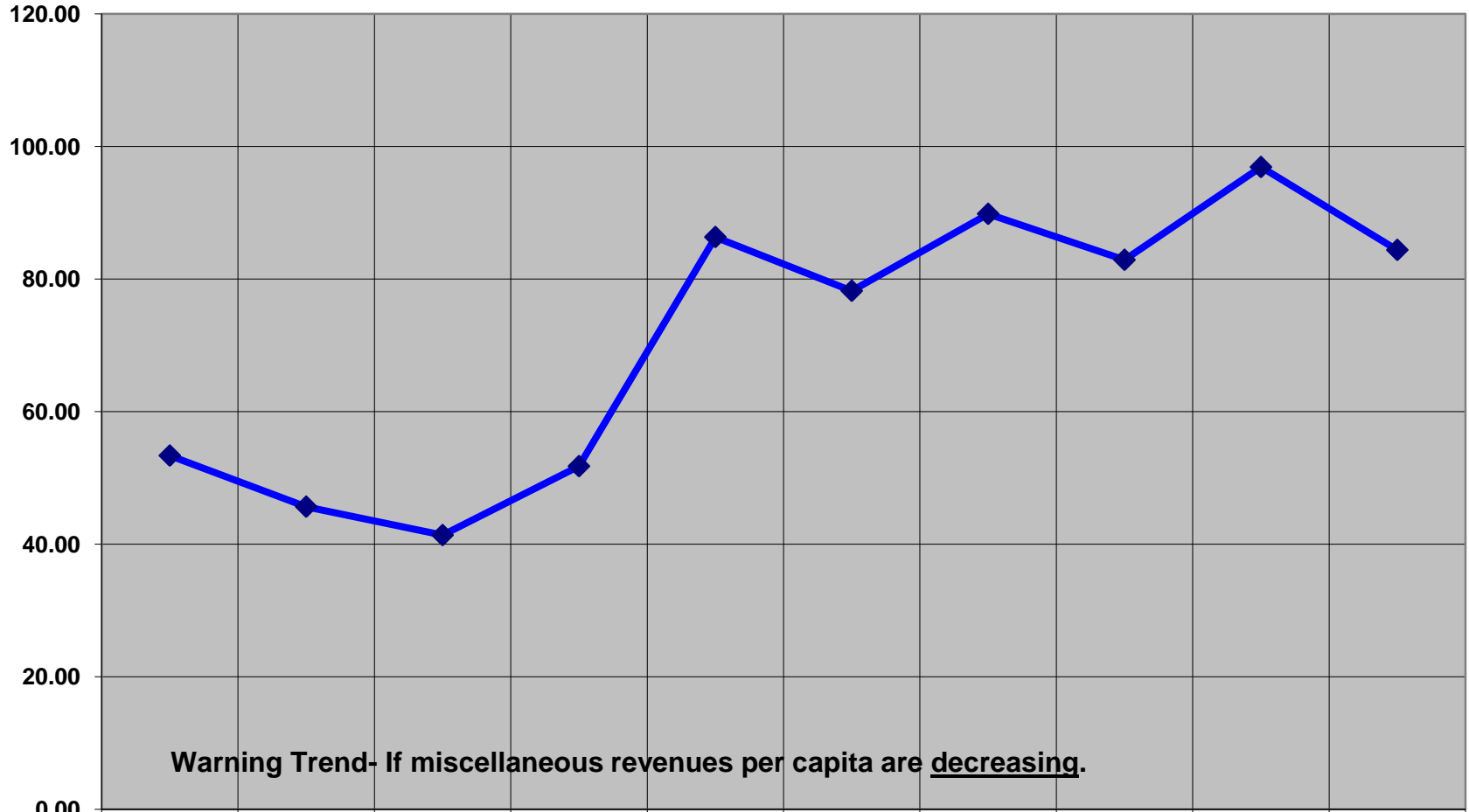


City of Delray Beach Fines and Forfeitures per Capita



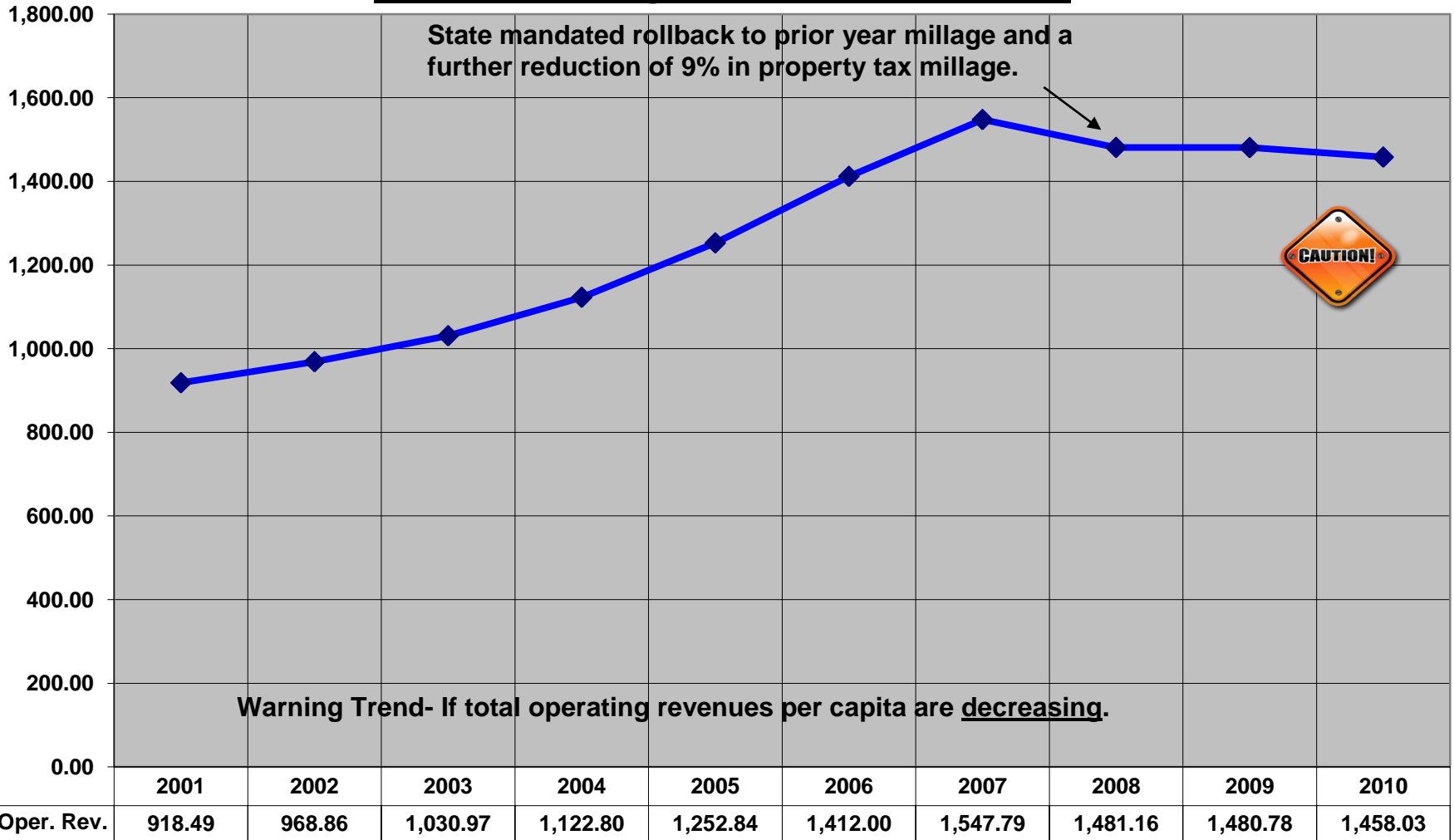
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fines and Forfeitures	11.51	15.13	14.85	14.98	14.42	10.84	12.28	6.40	13.03	12.33

City of Delray Beach Miscellaneous Revenues per Capita

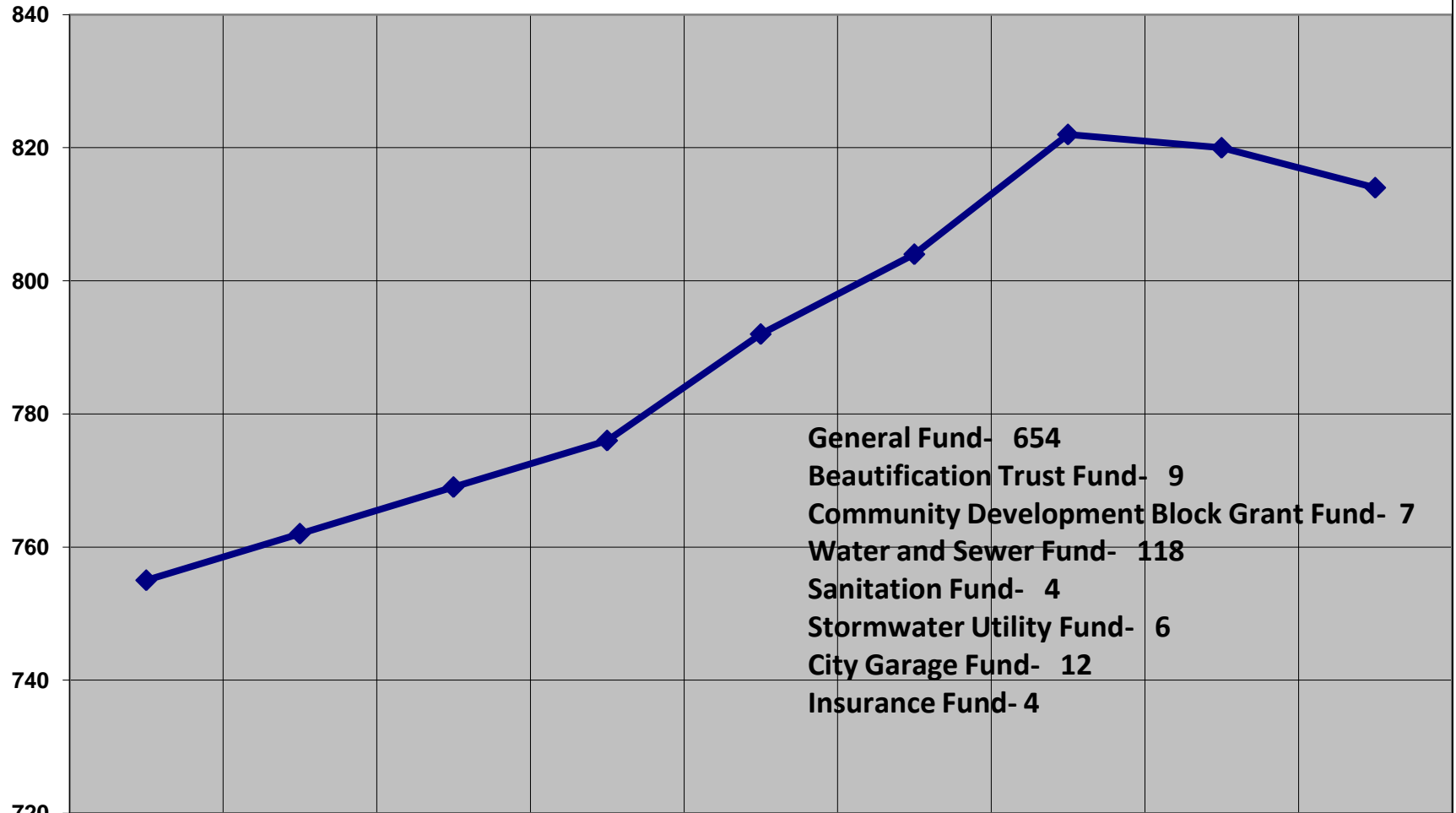


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Miscellaneous	53.36	45.65	41.37	51.77	86.33	78.22	89.83	82.90	96.90	84.39

City of Delray Beach Total Operating Revenues per Capita



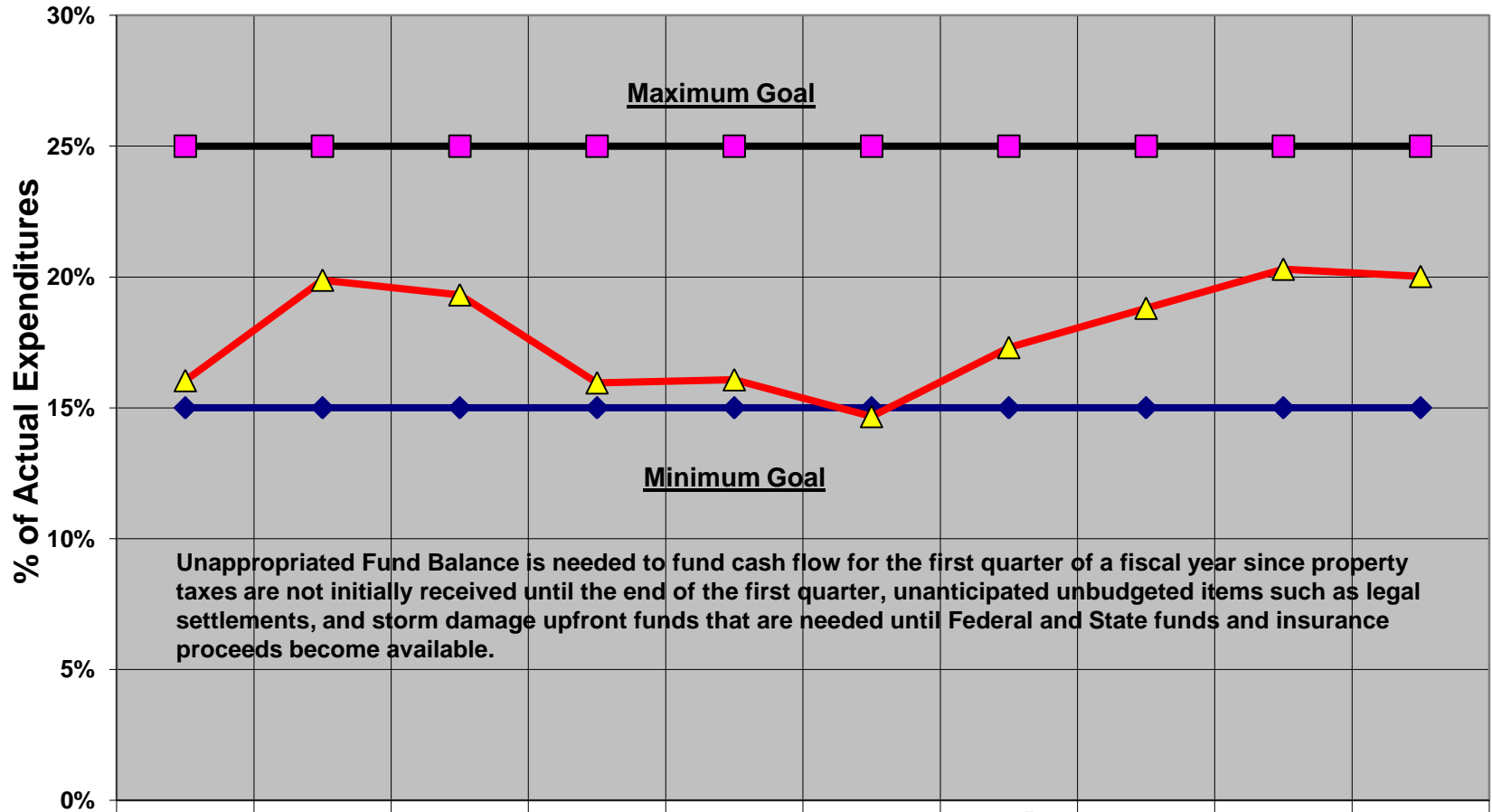
City of Delray Beach Number of Employees



General Fund- 654
 Beautification Trust Fund- 9
 Community Development Block Grant Fund- 7
 Water and Sewer Fund- 118
 Sanitation Fund- 4
 Stormwater Utility Fund- 6
 City Garage Fund- 12
 Insurance Fund- 4

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number	755	762	769	776	792	804	822	820	814

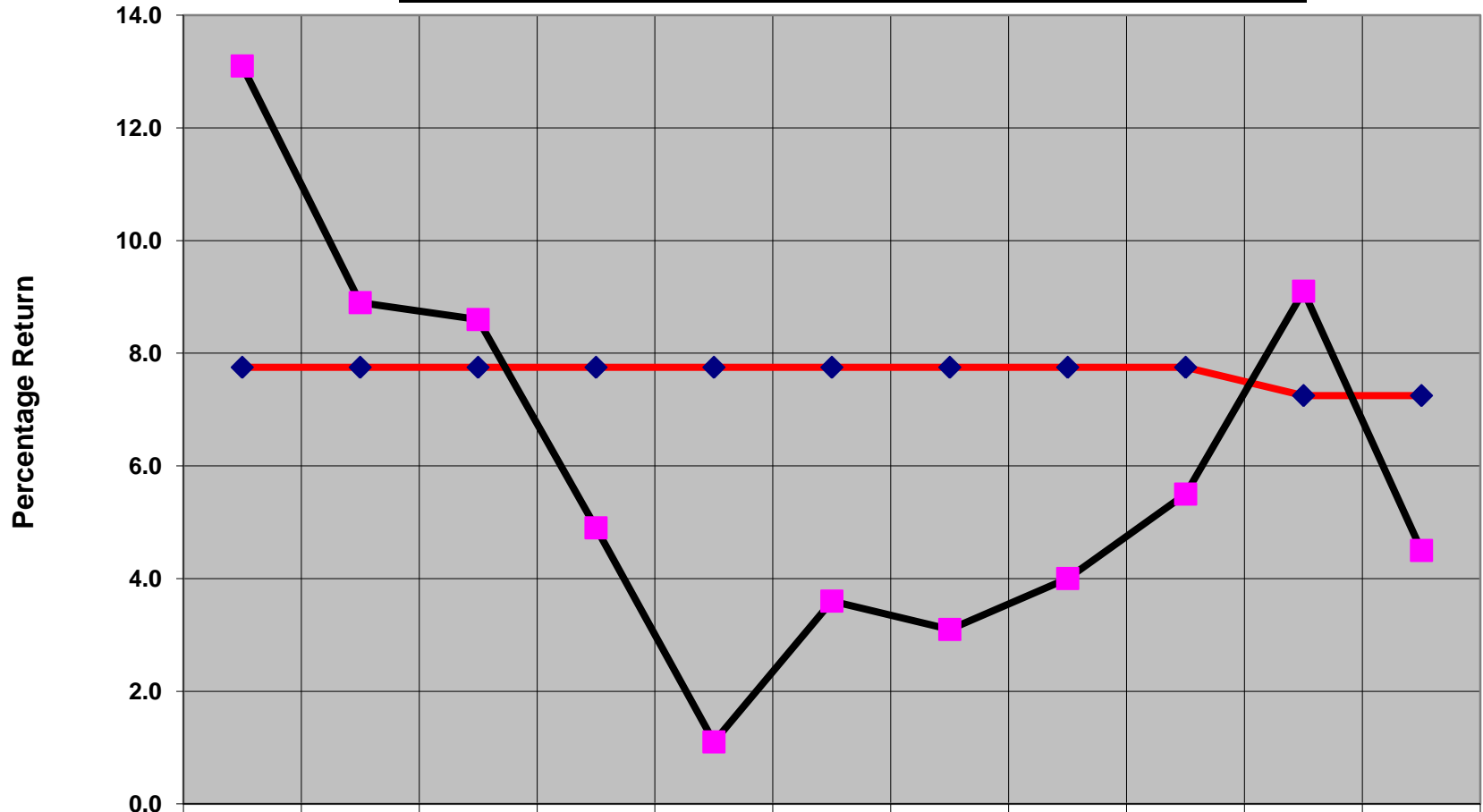
Unappropriated Fund Balance Percentage of Actual Annual Operating Expenditures



Unappropriated Fund Balance is needed to fund cash flow for the first quarter of a fiscal year since property taxes are not initially received until the end of the first quarter, unanticipated unbudgeted items such as legal settlements, and storm damage upfront funds that are needed until Federal and State funds and insurance proceeds become available.

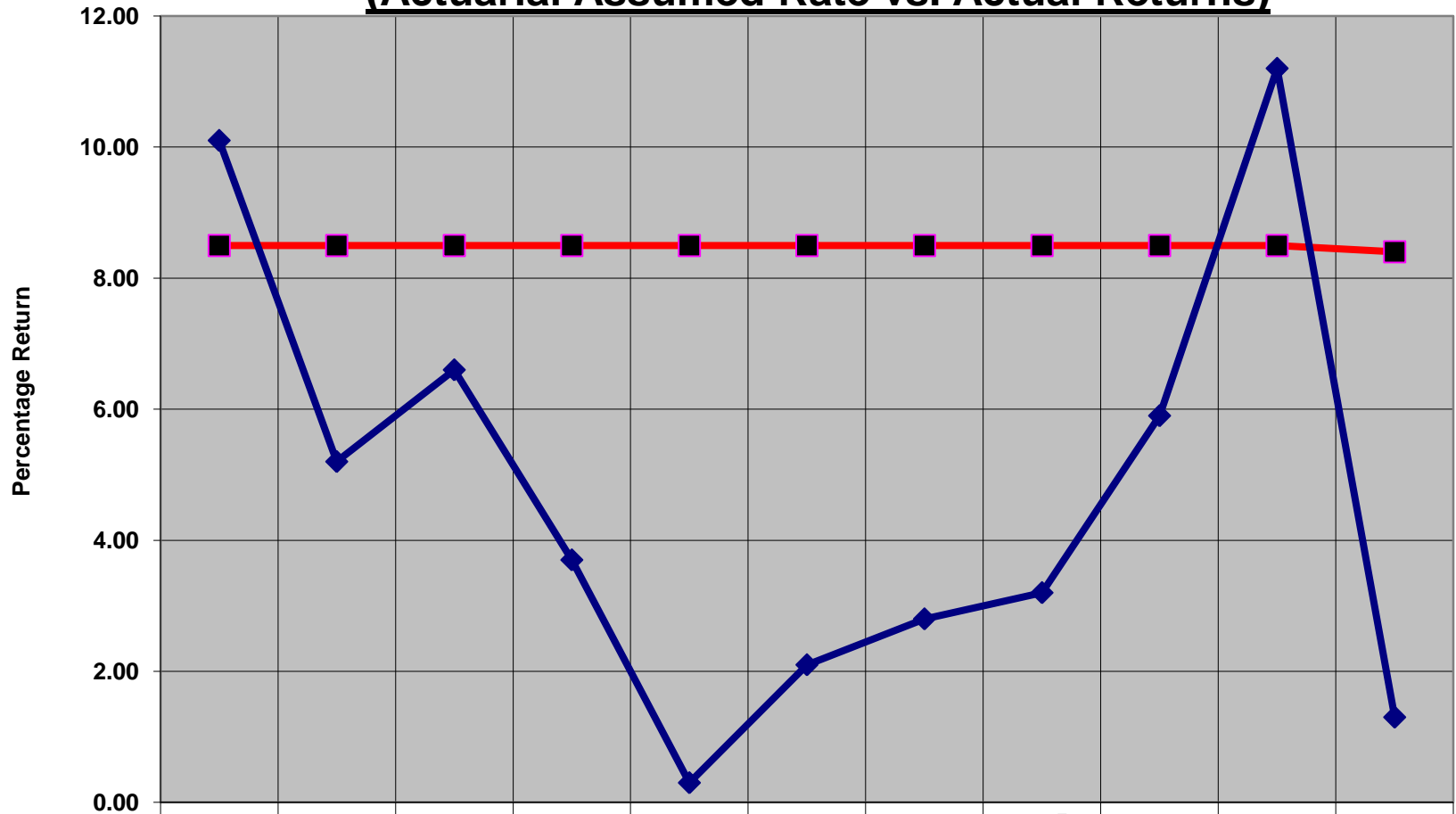
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Minimum	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Maximum	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Fund Balance	16.04%	19.88%	19.32%	15.96%	16.07%	14.67%	17.31%	18.81%	20.30%	20.03%

General Employees Pension Plan Investment Return (Actuarial Assumed Rate vs. Actual Returns)



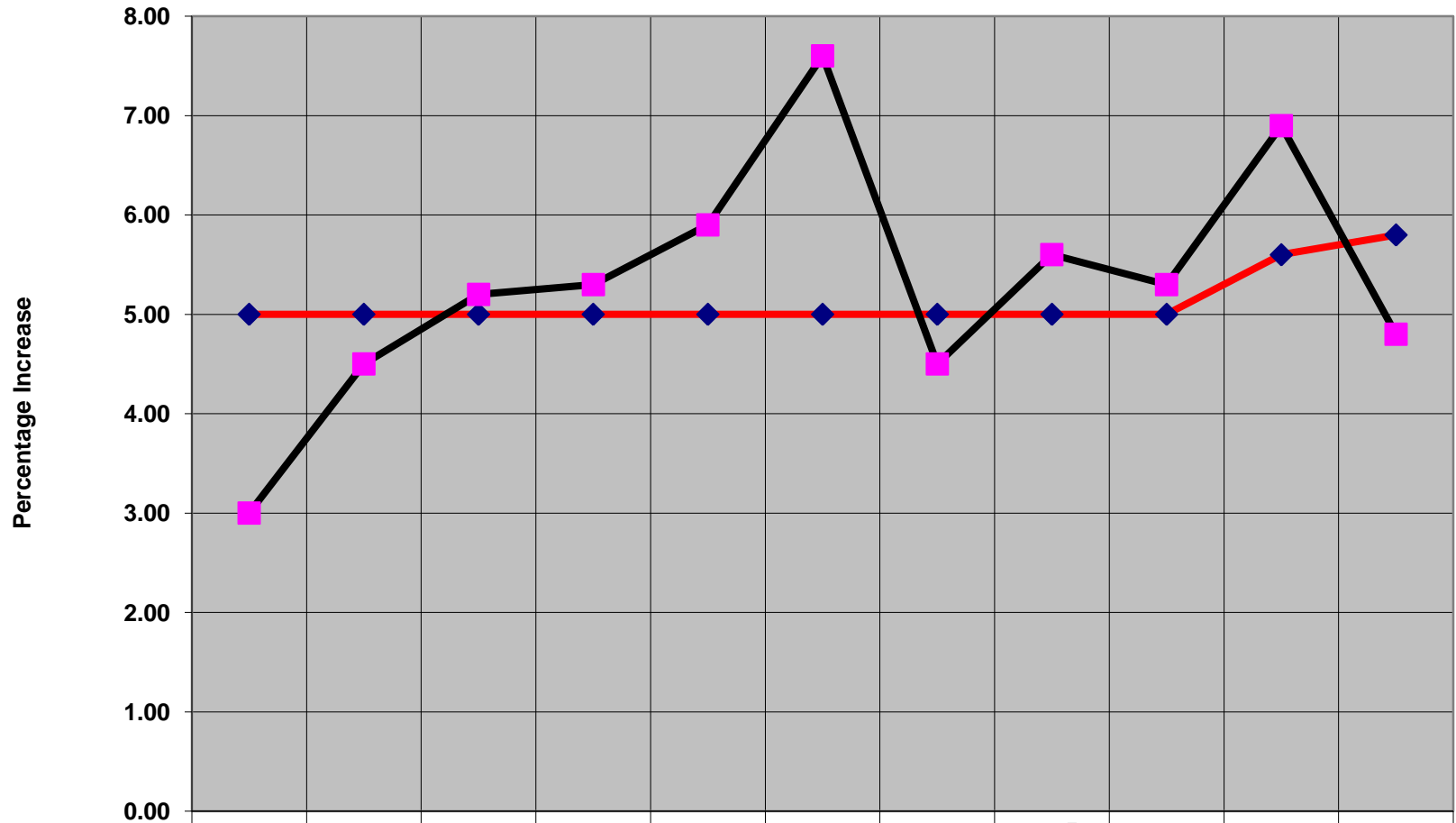
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
◆ Assumed Rate	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.25	7.25
■ Actual Rate	13.10	8.90	8.60	4.90	1.10	3.60	3.10	4.00	5.50	9.10	4.50

Police and Firefighters Pension Plan Investment Return (Actuarial Assumed Rate vs. Actual Returns)



■ Assumed Rate	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.40
◆ Actual Rate	10.10	5.20	6.60	3.70	0.30	2.10	2.80	3.20	5.90	11.20	1.30

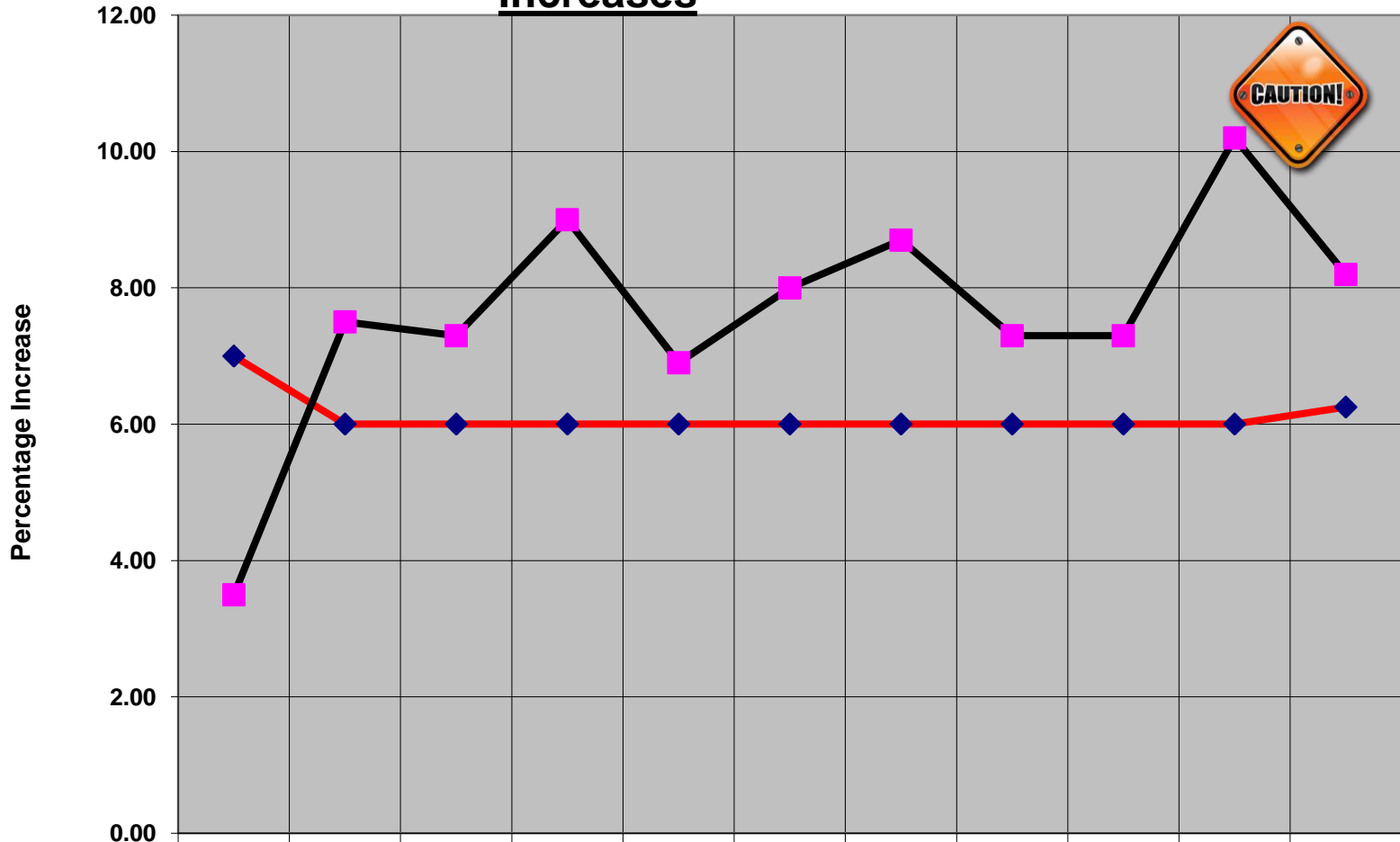
General Employees Pension Plan Actuarial Assumed Salary Increases vs. Actual Increases



◆ Assumed Increase
■ Actual Increase

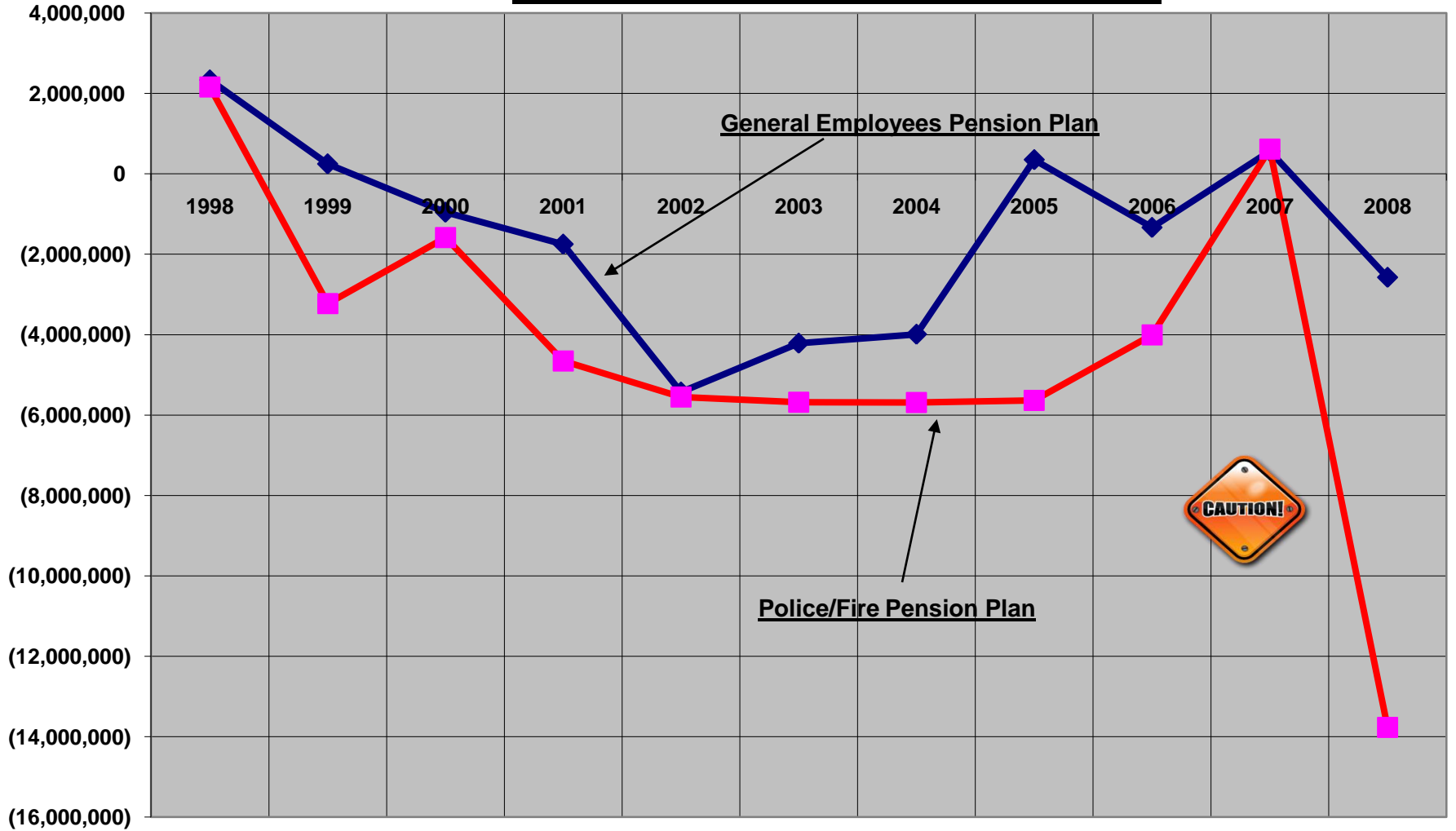
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assumed Increase	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.60	5.80
Actual Increase	3.00	4.50	5.20	5.30	5.90	7.60	4.50	5.60	5.30	6.90	4.80

Police & Firefighter Pension Plan Actuarial Assumed Salary Increase vs. Actual Salary Increases

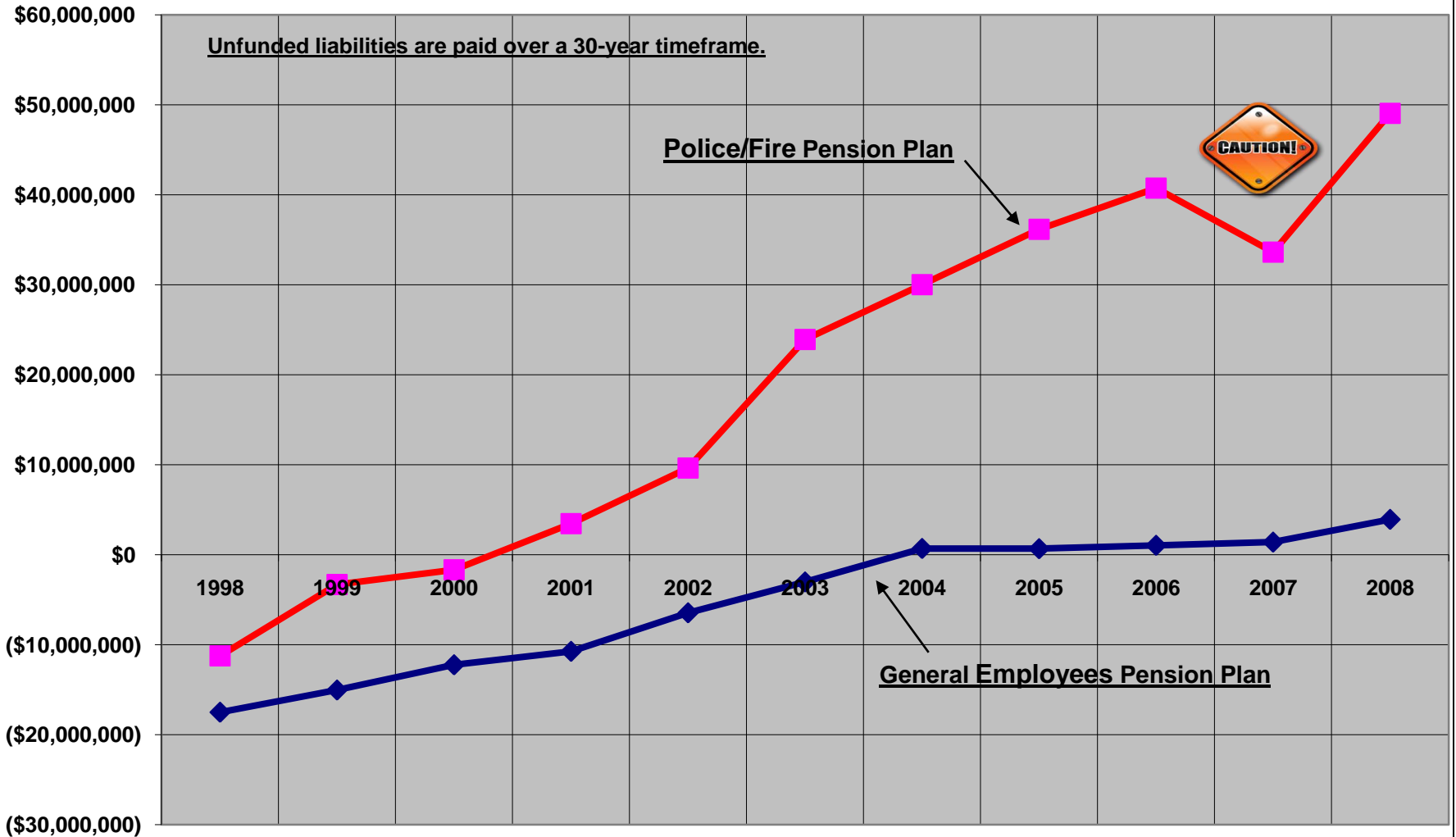


Assumed Increase	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25
Actual Increase	3.50	7.50	7.30	9.00	6.90	8.00	8.70	7.30	7.30	10.20	8.20

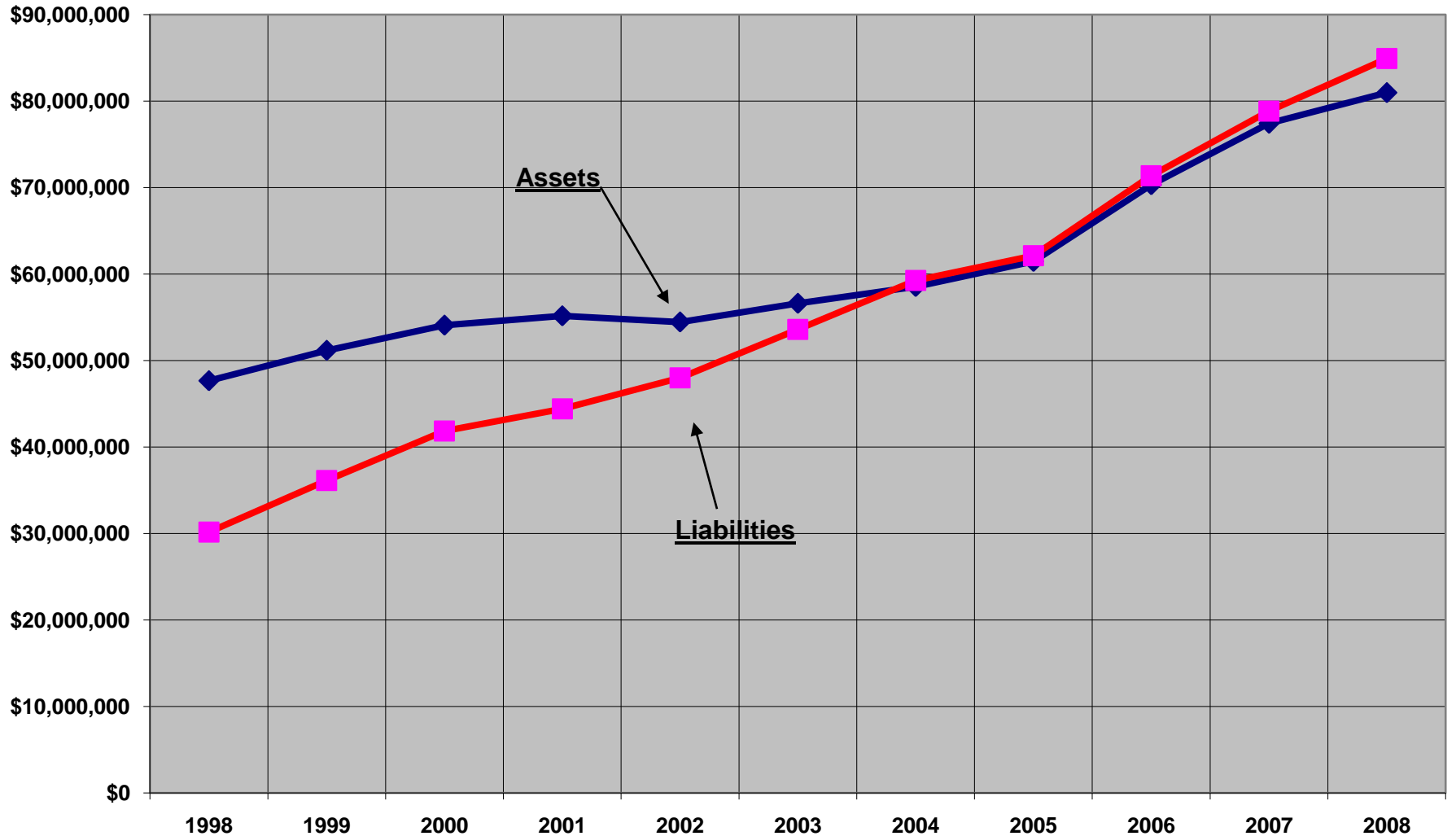
City of Delray Beach Pension Plan Actuarial Gain (Loss)



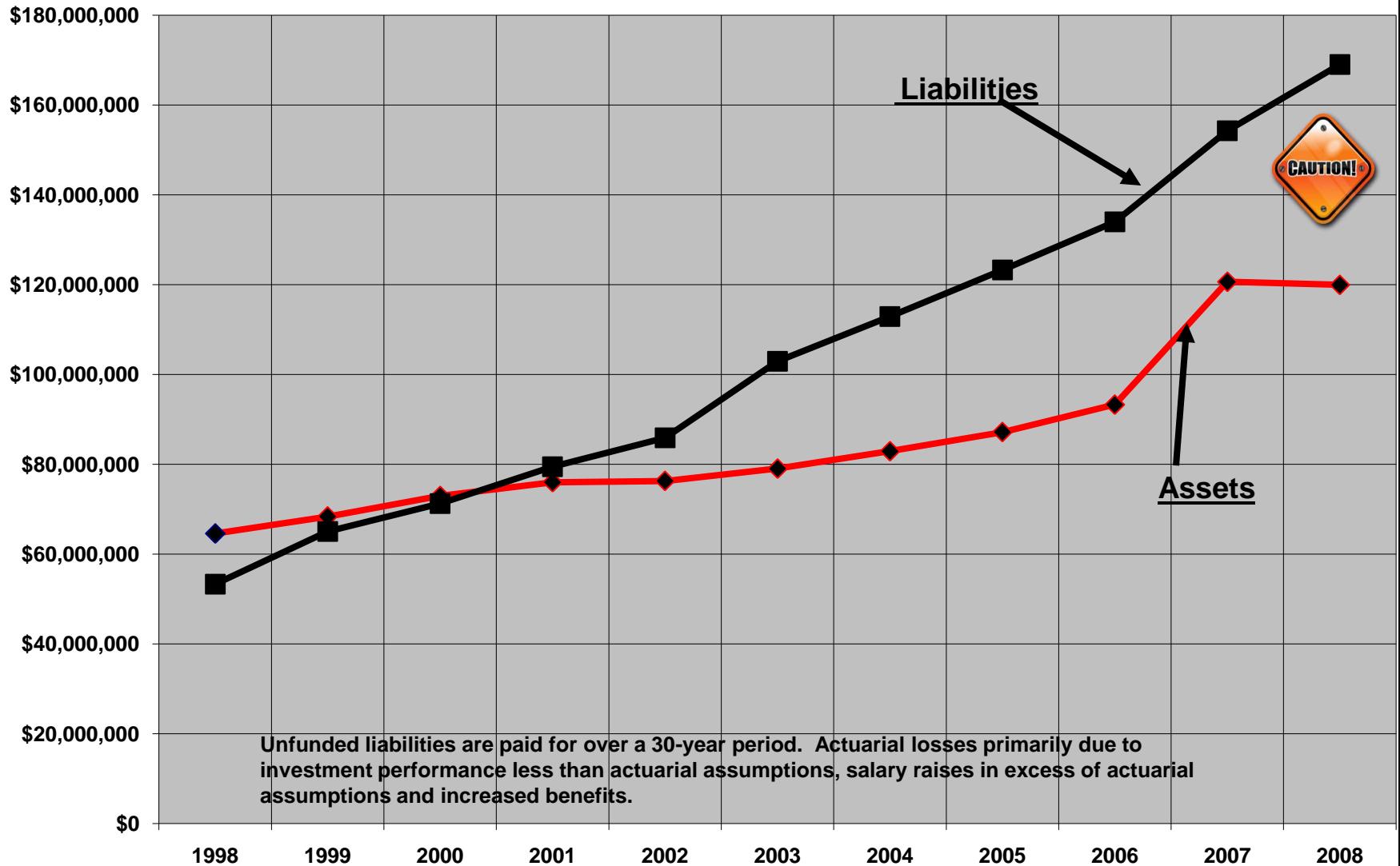
City of Delray Beach Pension Plan- Cumulative **Unfunded** Liabilities



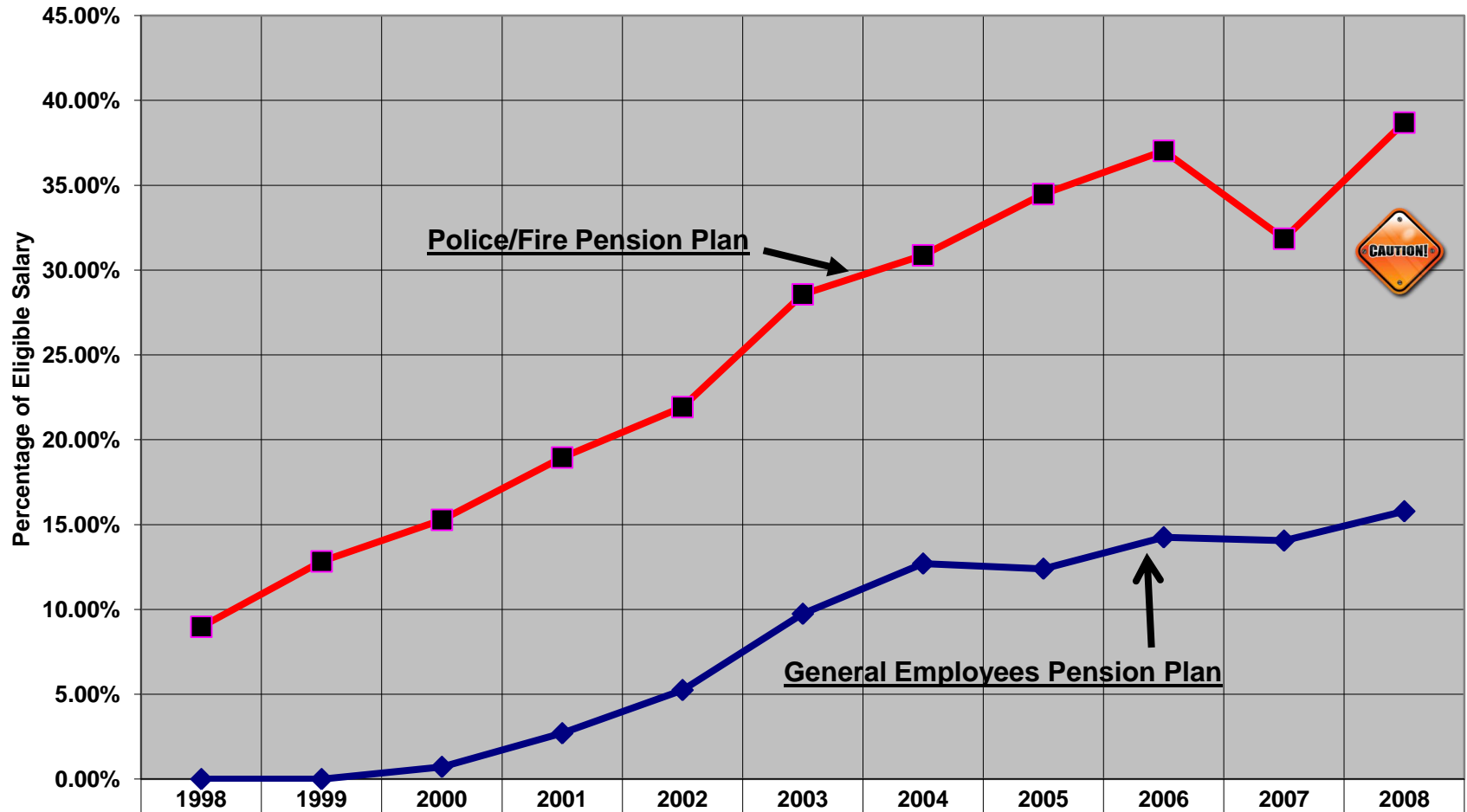
General Employees Pension Plan Actuarial Assets and Liabilities



Police and Firefighters Pension Plan Actuarial Assets and Liabilities



City of Delray Beach Pension Plans Employer Pension Cost as a Percentage of Payroll



◆ GEPP%	0.00%	0.00%	0.72%	2.70%	5.25%	9.74%	12.69%	12.39%	14.24%	14.05%	15.78%
■ PFPP%	8.97%	12.84%	15.29%	18.96%	21.93%	28.57%	30.87%	34.48%	37.03%	31.86%	38.70%

WHAT HAS THE CITY ALREADY DONE?

- The City Commission has set up a Budget Task Force to research ways to increase revenues and reduce expenses (Now the Financial Review Board)
- The City provides services to other entities to increase revenues and reduce costs
 - ✓ Purchasing prepares bids for multiple entities
 - ✓ Purchasing utilizes bids of State and other entities
 - ✓ Police dispatch services to Highland Beach and Gulfstream
 - ✓ Fire /EMS services for Highland Beach and Gulfstream
 - ✓ Water services for Gulfstream and Highland Beach
- The City has “frozen” wages – in some cases for the second year
- The City has instituted a hiring freeze for certain open positions
- The City has instituted a voluntary early retirement “window”
- The City has eliminated positions
- The City has eliminated a 1% match program to the ICMA 457 Plan
- The City has eliminated “double overtime” caused by the use of floating holiday time
- The City has capped the accrual of sick leave time (vacation already capped)
- The City has requested actuarial costing of various alternative cost savings in the pension plans
- The City is going to set up an in-house clinic to reduce medical costs in addition to its wellness program

WHAT HAS THE CITY ALREADY DONE?

- The City is reviewing the Fire Assessment Fee as an additional revenue source
- The City has negotiated lower credit card transaction fees
- The City has reduced paper, printing, and mailing costs by faxing purchase orders, e-mailing of vendor invoices, payments on-line, debiting bank accounts, credit card payments, wire transfers, website presentations vs. printing
- Increased revenues and reduce costs from sale of surplus vehicles and equipment utilizing internet sales
- Instituted “green” solutions to the use of electricity by installing power-savings light fixtures, switches, and copiers
- The City has maximized the return of funds from special events to offset City costs
- The City has increased the medical costs to the employee that were previously paid by the employer (Buy-Up HMO)
- The City has reduced tuition reimbursement program costs by eliminating Masters Degrees and other education costs
- The City is evaluating reducing the costs of the Retiree Health Insurance Trust (VEBA)
- The City has reduced the shuttle bus fleet to two (2) buses which are largely paid for by grants and the CRA
- The City has reduced the number of in-house publications and frequency of publishing

WHAT HAS THE CITY ALREADY DONE?

- The City renegotiated the Champions Tour tennis event substantially reducing the City cost exposure
- The City reduced the costs of competition events primarily in the Police, Fire, and Lifeguard departments as these are not part of our essential services
- The City reduced the costs of the employee SPIRIT program as this was not part of essential services
- The City filed an additional insurance claim on Hurricane Wilma resulting in additional recovery of funds that are not due back to FEMA
- The City conducted an intensive study of properties receiving homestead exemption when the properties were actually rented to others
- The City conducted a study of properties shown on utility billing system as rented properties that did not have landlord permits
- City conducted an evaluation of take-home vehicles and personal use of City vehicles reducing personal use and charging employees for di minimis use
- The City renegotiated broker fees for property/casualty insurance program
- The City eliminated the College Tour Program of taking students to visit colleges since this was not considered an essential service
- The City Manager had Department Heads prioritize entire budget from \$0 and eliminated non-essential items that could not be funded



SO WHERE DO WE GO FROM HERE ???

LET'S START BY CONSIDERING WHAT WE CAN CONTROL
VS. WHAT WE CANNOT CONTROL-----

- **WE CANNOT CONTROL THE GENERAL ECONOMY**
- **WE CANNOT CONTROL DECLINING PROPERTY VALUES**
- **WE CANNOT CONTROL DECLINING SCHOOL ENROLLMENT**
- **WE CANNOT CONTROL THE CITY BEING AT BUILDOUT**
- **WE CANNOT CONTROL STATE MANDATES, LEGISLATION, OR REFERENDUMS**
- **WE CANNOT CONTROL THE REAL ESTATE INDUSTRY**
- **WE CANNOT CONTROL THE CONSTRUCTION INDUSTRY**
- **WE CANNOT CONTROL THE BANKING INDUSTRY**
- **WE CANNOT CONTROL THE AMOUNT OF STATE TAX DISTRIBUTION S**

SO WHAT CAN WE CONTROL ?

- ✓ WE CAN FIND WAYS TO IMPROVE COLLECTION RATES ON EXISTING REVENUES TO REDUCE AMOUNT OF WRITE-OFFS (LOST REVENUES)**
- ✓ WE CAN EVALUATE AND DEVELOP NEW SOURCES OF REVENUE**
- ✓ WE CAN FIND WAYS TO REDUCE CURRENT FIXED COSTS**
- ✓ WE CAN FIND WAYS TO REDUCE CURRENT VARIABLE COSTS**
- ✓ WE CAN EVALUATE INCREASING SERVICE CHARGE RATES**
- ✓ WE CAN EVALUATE REDUCTION OR CONSOLIDATION OF SERVICES**
- ✓ WE CAN EVALUATE ALTERNATIVE BENEFITS FOR CURRENT EMPLOYEES**
- ✓ WE CAN EVALUATE ALTERNATIVE BENEFITS FOR FUTURE EMPLOYEES**
- ✓ WE CAN IMPROVE EMPLOYEE PRODUCTIVITY, EFFICIENCY**
- ✓ WE CAN EVALUATE OUTSOURCING SERVICES TO PRIVATE SECTOR**
- ✓ WE CAN EVALUATE SUBSTITUTION OF TECHNOLOGY FOR PERSONNEL COSTS OR OTHER OPERATING COSTS**
- ✓ WE CAN EVALUATE AND IMPROVE NEGOTIATION PROCESS ON CURRENT PURCHASED MATERIAL AND SERVICE CONTRACT COSTS**

WHAT ARE WE CURRENTLY WORKING ON?

- **COMPARING BILLINGS FROM INSURANCE COMPANIES VS. COLLECTIONS FROM EMPLOYEES**
- **ANALYZING WASTE MANAGEMENT FRANCHISE FEES AND ADMINISTRATIVE CHARGES FROM FY2008 TO FY2009**
- **IMPLEMENTING E-MAIL VENDOR INVOICES IN LIEU OF MAILED INVOICES**
- **IMPLEMENTING CREDIT CARD PAYMENT OF INVOICES IN LIEU OF CHECK PAYMENTS**
- **RETAINED ENGINEERING FIRM TO EVALUATE WATER PUMPED BUT NOT BILLED (WATER LOSS)**
- **IMPLEMENTING IN-HOUSE CLINIC TO REDUCE MEDICAL COSTS**
- **REVIEWING ALTERNATIVE BENEFITS FOR PENSION PLANS**
- **NEGOTIATING UNION CONTRACTS TO FREEZE OR REDUCE COSTS**

WHAT ARE WE CURRENTLY WORKING ON?

- WE ARE ESTABLISHING ABILITY TO IMPLEMENT A FIRE ASSESSMENT FEE TO BE BILLED ON TAX BILLS (NEW REVENUE)**
- WE ARE EVALUATING OPTIONS TO SELL RETAIL SPACE IN THE OLD SCHOOL SQUARE PARKING GARAGE TO PAY OFF THE TAXABLE LINE OF CREDIT THAT IS OUTSTANDING**
- WE WILL UTILIZE THE FINANCIAL REVIEW BOARD TO EVALUATE PREVIOUS RECOMMENDATIONS MADE BY THE BUDGET TASK FORCE THAT HAVE NOT BEEN IMPLEMENTED YET**
- WE ARE ACTIVELY SEEKING GRANT FUNDS TO OFFSET CAPITAL COSTS**
- WE ARE EVALUATING REPLACING CURRENT SOFTWARE TO IMPROVE EFFICIENCY, REDUCE HARDWARE COSTS AND REDUCE ANNUAL MAINTENANCE FEES (TECHNOLOGY IMPROVEMENTS)**

WHAT IS OUR CHALLENGE FOR THE NEXT BUDGET YEAR?

- **WE ANTICIPATE \$5-6 MILLION IN REDUCED REVENUES FROM PROPERTY VALUATION REDUCTIONS AND GENERAL ECONOMIC CONDITIONS**
- **SALARIES AND BENEFITS ARE APPROXIMATELY 60% OF TOTAL COSTS- HAVE ALREADY CUT 51 POSITIONS, FROZEN WAGES (SOME FOR SECOND YEAR), REDUCED BENEFITS**
- **DEBT SERVICE IS APPROXIMATELY 8% OF TOTAL COSTS**
- **CRA TRANSFER IS APPROXIMATELY 8.5%**