

BUDGET TASK FORCE

Minutes of May 20, 2008

Item 1. Call to Order/Roll Call:

Meeting was called to order by Vice Chairperson Howard Ellingsworth at 8:30 a.m.

Members Present: Peter Arts, Vincent Dole, Howard Ellingsworth, Steven Janssen, Robert Moore, Alexander Simon, and James Smith

Members Absent: Todd L'Herrou and Franklin Wheat

Guests Present: Joseph Safford and Karen Scheil

Item 2. Approval of the agenda:

Mr. Moore moved to approve the May 20, 2008 agenda, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Approval of the Budget Task Force Minutes for May 6, 2008:

Mr. Dole moved to approve the May 6, 2008 minutes, seconded by Mr. Simon. Said motion passed unanimously.

Item 4. Review of new handout material:

Mr. Safford indicated the Task Force needs to prepare for the June 10th City Commission Workshop's interim report presentation. Several items may be incorporated into the budget process and union negotiations are about to open.

The current handout illustrates Other Professional Services broken down by department, service costs and total costs. The two largest items being the Shuttle Bus Service and Tennis Center. The Shuttle Bus Service does have some revenue from the CRA; the tennis center has revenue from tennis lessons which in turn pays for salaries of tennis people from the management company.

In reviewing the interim report, Mr. Safford indicated the credit card Interactive Voice Response (IVR) allows customers to use credit cards for items such as the golf courses, parks and recreation, utility bills, payments of fees, etc. Over the phone payment by credit cards and credit card payments through the website are also allowed. Annually the City pays approximately \$175,000.00 in fees for the use of credit cards. Mr. Safford continued stating it is against the law to charge a separate fee for the use of credit cards; however, one can incorporate it in the cost of doing business. The IVR system is through the website, therefore one may charge a convenience fee. Mr. Safford stated a breakdown of the \$175,000.00 transactions from the golf course, utility billings and the IVR number was completed leading to a \$1.50 convenience fee. The philosophy is not to charge an amount to discourage payments on line. Payments on line help with productivity by eliminating not having to open mail and processing payments.

Mr. Smith moved to recommend to City Commissioners the establishment of a \$1.50 per transaction convenience fee to offset costs of the Interactive Voice Response website transactions, seconded by Mr. Simon. Said motion passed unanimously.

Previously in Mr. Barcinski's presentation of Special Events he had mentioned the First Night Event had made profits and accumulated a reserve of approximately \$52,250.00. Mr. Safford questioned if the City is incurring costs, why approve this reserve? In this particular case, why not pay the City's overtime cost of \$32,459.00 out of their reserves and the remainder stay in the reserves.

Mr. Simon moved to recommend to City Commissioners 100% of the City's overtime costs for First Night Event should be paid from collected revenues/reserves, seconded by Mr. Dole. Said motion passed unanimously.

Mr. Safford continued stating the Special Events cost reimbursements was discussed at previous meetings, however no formal motion was recommended. It was suggested the non profit organizations incorporated in the City pay 75% in lieu of 65% of the costs. This should represent approximately \$10,000.00 - \$20,000.00. Discussion pursued with the possibility of increasing the percentage rate to 75%. Non profit organizations incorporated outside the City currently pay 100%. In conversing with Mr. Barcinski, he felt if the percentage were to go higher the events would be impacted.

Mr. Safford commented his perspective of special events is part of the character of the City which affects the value of the property. A demand of property values increase the tax bases (revenues).

Mr. Ellingsworth questioned the definition of privately produced events and how the Garlic Festival came into play. He firmly believes the organizer of this event makes money. Perhaps the Task Force needs to reevaluate what is considered a privately produced event. Is it fair for an individual to make a profit when not covering 100% of their cost?

Mr. Safford stated privately produced events pay 100%. It is not a qualified non profit organization; it is a for profit firm.

Mr. Ellingsworth commented he would be interested in finding what the overtime cost is for the Garlic Fest and the percentage they are covering.

At this time, Mr. Moore moved to recommend to City Commissioners city cost reimbursements from non-profit organization incorporated in the City pay 75% instead of 65%, seconded by Mr. Simon. Said motion passed unanimously.

Mr. Safford indicated the Tuition Reimbursement program is a reimbursement of the employee's expense. It is not paid through payroll and is not part of any pension calculation. The Firefighters said in lieu of receiving tuition reimbursement, they want to change that to comp time which in turn is away with pay. By changing it to away with pay, it goes through the payroll system and is then calculated in one's pension.

Mr. Simon moved to recommend to City Commissioners to reduce fringe benefit costs and future pension costs by stopping the conversion of tuition reimbursement costs to comp time, seconded by Mr. Dole. Said motion passed unanimously.

At this time Mr. Safford illustrated a regular employee working a normal 40 hours for weeks versus an employee working 8 hours overtime in addition to the 8 hours already worked. These 8 hours related to 12 additional hours (time and a half). If one were not to receive overtime (as overtime is not pensionable), and take 12 hours as time off or converted to "away with pay", this would be calculated in their pension. Mr. Safford looks at this as a payroll coding problem as originally "away with pay" was time away from your work station, away from the City for a seminar, convention, conference, training class, etc. The reason being is for City personnel to know one is not on duty but away getting paid to be covered with Worker's Compensation and so forth.

Mr. Ellingsworth questioned where the savings reduction comes from.

Mr. Safford responded when paid for the overtime, the employee would work the following week improving productivity cost. If they're working, there is no replacing them on overtime. Currently this cost is going into the pension calculation which would then be removed. When these employees retire, it will have a favorable impact on pension costs. This is an estimated potential cost reduction; assuming 75% of Police and Fire charges to away with pay is actually overtime, we took 75% of the overtime dollars (\$632,250.00) which would be money no longer pension eligible and not have the full fringe benefit cost applied, only FICA. Pension costs would be future savings. For many years Police and Fire have exceeded their actuarial assumption for salary costs; this being part of the reason.

Mr. Safford reiterated initially the Task Force started reviewing the overtime issue for the entire City. Ninety three percent of overtime came down to three departments; Police, Fire and Parks and Recreation. Upon interviewing the Department Heads, the Task Force found Parks and Recreation was approximately 7%. The remainder was Police and Fire. Total salaries of all City employees were reviewed illustrating 60 employees over \$100,000. Nine of those employees were Department Heads or Assistant Department Heads; 51 employees were Police and Fire. This is how Public Safety was focused in. From here the components of

what made up that salary was reviewed. The Task Force found management staff is receiving overtime, management staff conducting a resident's academy receives comp time, management receives overtime plus FLSA, management receives away with pay; these are not minimum manning issues. Management are not in the union, therefore these items are not negotiated. We were informed Fire Management keep their own comp time logs; upon request of copies of these logs, the response from the Department Head was he saw no need to review these comp time banks unless he thought there was some abuse.

In further discussion, Task Force Members agreed all other items and saving costs were for the current budget year, could this item be separated?

Mr. Safford indicated he would have two individual pages; one listing potential savings on the current year's budget; the second listing potential savings on the future year's budget.

Mr. Ellingsworth voiced his concern of the emphasis on the appearance of the lack of controlling overtime. The policy and procedures of overtime issues need to be reviewed and re-evaluated. These Departments need to be held accountable.

Mr. Simon moved to recommend to City Commissioners to reduce future pension costs or improve productivity by eliminating comp time from the calculation of pension benefits since comp time is primarily overtime and not regular pay, seconded by Mr. Moore. Said motion passed unanimously.

Mr. Smith suggested a round the table opportunity for Task Force members to add items to the interim report as this may be the last chance to have these items included in next year's budget.

Mr. Ellingsworth commented there is a lot of substance and credibility to this interim report. He understands there are further ideas and concerns that should be brought forward to the City Commissioners' attention; however, to just put these ideas in a report for sake of having further input may not be appropriate at this time. If that was done, the Task Force may lose credibility. Mr. Ellingsworth highly recommends a request to extend the time frame of the Task Force as the surface has only been scratched.

Mr. Safford reiterated this is an interim report and does not feel items should be in the report without being fully researched.

Item 5. Review of previous handout material:

No comments.

Item 6. Other Business:

Mr. Arts questioned the status of the review of the overall banking fee relationship.

Mr. Safford stated currently we are with Bank of America; it was reviewed a few years ago. The fees were relatively similar making no changes as it is a major process to change banks. This includes day to day business, software systems, online payments, payroll and so forth.

Mr. Arts commented technology has changed drastically in the last couple of years. If we're looking at cutting \$30,000-\$40,000 on items, we may want to consider it.

The second item Mr. Arts mentioned was the review and research of Risk Management.

Mr. Safford indicated the City has recently reviewed and renewed all property and casualty insurance with an 18% drop in premium cost even with the addition of the parking garage, the Environmental Service building, and Fire Station #4.

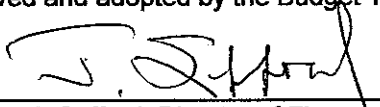
Mr. Simon questioned the consideration of buyouts.

Mr. Safford indicated that would require an actuary costing. Buyouts do not necessarily save money; the City pays for accumulated vacation and sick time and final settlement wages. The pension plan has an actuarially assumed rate; if paid more to an individual for the last year, it could impact your pension cost. The majority of the time hiring outside is costlier than what one was paying originally.

Motion to Adjourn:

There being no further business, Mr. Arts moved to make a motion for adjournment, seconded by Mr. Janssen. Said motion passed unanimously. The meeting adjourned at approximately 10:27 a.m.

The undersigned is the Finance Director of the City of Delray Beach. The information provided herein is the minutes of the City of Delray Beach Budget Task Force of May 20, 2008, which minutes were formally approved and adopted by the Budget Task Force on June 3, 2008.



Joseph M. Safford, Director of Finance

/kms

cc: Budget Task Force Members
Lisa Herrmann, Budget Officer
Rebecca O'Connor, Treasurer
Joseph Safford, Director of Finance