

# **Financial Review Board**

## **Meeting Minutes**

**December 1, 2009**

### **Item 1. Call to order**

Joseph Safford, Meeting Facilitator called to order the **initial** meeting of the Financial Review Board at 9:00a.m. on 12/01/09 in the Environmental Services Conference Training room.

Mr. Safford introduced Brian Shutt, City Attorney to go over some important guidelines for the new Board members to follow.

Mr. Shutt explained the Board is governed by the Sunshine Law. Two board members cannot talk to each other about topics that may come in front of the board for a meeting that has been "noticed". The public is allowed to come and listen to the meeting but not participate unless requested by the Board. He stated if the board was to break out into sub-committees, they would need to notify Mr. Safford and he would notify the City Clerk's Office. Meetings need to be posted and held in a place that is open to the public. If a sub-committee meeting is held, one of the members would need to take notes and provide those minutes to City staff for public record of the meeting. The Sunshine Law is not only verbal but also encompasses emails. Board members should not discuss issues verbally or by mail or e-mail. Notification of meetings, agendas, and issue materials shall be sent to all Board members by Mr. Safford or City staff.

Mr. Shutt discussed the liability of Board members in accordance with the Sunshine Law and advised that if an ethics complaint is filed with the State Ethics Committee, it would be against a specific Board member if they are in violation of the Sunshine Law. The City does not participate in the defense of an ethics charge. Any decisions made by Board members in the normal course of business of the Board would be covered by City liability insurance.

Mr. Safford advised that the City Commission would like to meet with the entire Financial Review Board to discuss strategy and their duties and responsibilities. A workshop meeting is being set up for January 12, 2010. Further detail will be provided.

### **Item 2. Roll call**

Members Present: Brenda Durden, Howard Ellingsworth, Todd L'Herrou, Robert Moore, Christina Morrison Pearce, Jack Warner, Helena Antunes-Boska (Alternate), and Rosalie Blood.(Alternate)

Members Absent: Yvonne Walker

Guests Present: Joseph Safford, Brian Shutt and Barbara Flynn

Mr. Safford clarified that he is not on the Board, that he will be gathering and researching data for the Board and that Barbara Flynn is there to take minutes and is also not a member of the Board.

### **Item 3. Introduction of Board Members**

Each Board Member and Alternate Member introduced themselves providing a brief description of their educational backgrounds, job experiences, and committees they have served on, and why they wanted to be a part of this Board. Mr. Safford also explained his background to the Board members.

### **Item 4. Election of Board Members**

Mr. Safford opened the meeting up to the Board to elect a Chairman and Vice Chairman.

Mr. Moore nominated Howard Ellingsworth as the Chairman and Todd L'Herrou as Vice Chairman for continuity of moving from the Budget Task Force to the Financial Review Board. It was explained that only permanent Board members may vote on issues and that alternate Board members may participate in discussion but only vote if a permanent Board member is absent.

Ms. Pearce seconded the nomination. Said motion passed unanimously.

### **Item 5. Discussion of City Financial Issues (PowerPoint Presentation)**

Mr. Safford went on to give a PowerPoint presentation that he prepared. This presentation outlined some of the current economic situations which affect the City's growth revenues and other major financial issues the City is now facing. It also was informative as to what actions the city has already taken to cut costs or increase revenues.

Property values are continuing to decline and we may be facing an additional 10% to 12% decline in property values this coming budget year. Mr. Safford showed graphic slides depicting:

- Major financial issues facing the City
- Population growth is leveling off
- School enrollment is down
- Commercial vacancies are increasing
- Major revenue sources are either declining or not increasing
- State mandates and referendums affecting property tax exemptions
- Number of City employees is declining
- Unrestricted Fund Balance is at 19% of annual budget.

He explained that non-union vs. union conflicts are surfacing as the non-union employees are now in their second year of frozen wages and the union employees continue to get raises. Mr. Safford explained that the City has certain major fixed costs that normally increase each year and , if population is stagnant, the City does not have the growth revenues to absorb these increases and this would result in constant property tax increases.

Mr. Safford states that most open positions have been frozen or eliminated thus not affecting current active employees. Further budgetary cuts may cause layoffs of active employees or programs. We have \$18-\$19 million dollars in Unappropriated, Unrestricted Fund Balance. The City needs to have 15% to 20% of our annual budget in surplus. Mr. Safford explains what the surplus is for. First, it may be used for cash flow during the first quarter of the year before property tax money comes in. Second, it is used in case of emergencies. And third, it is used for unforeseen legal settlements. He doesn't recommend using the surplus fund balance for operating costs. This would only create a problem in the subsequent fiscal year. It could possibly be used for capital, as it is a one-time expense.

Mr. Safford explained and compared the City's defined benefit pension plans which are presently 8% of the total budget and a major cost to the City. The plans have been impacted over the last few years due to the investment market. The General Employees Pension Plan is almost fully funded while the Police/Fire plan has a \$40 million unfunded liability and is 70% funded. The Police and Firefighters Pension plan had a change in multiplier from 3.0% to 3.5% and the City Commission approved for the City to pay the conversion of all retroactive and prospective service at the increased rate. This created a large unfunded liability that must be paid off over the next 30 years.

Christina Pearce asked if the Police and Fire were a State pension plan.

Mr. Safford explained that it is not. It is a local law plan.

Mr. Safford pointed out another actuarial assumption is salary increases. The assumed salary increase is almost always lower than the actual salary increase. He pointed out the differences between the two pensions in a graph. The Police and Firefighter plan has had more actuarial losses than the General

Employees plan. He went on to show unfunded liabilities. Both plans were both over-funded back in 1998. Now there is a dramatic increase in unfunded liabilities for the Police and Firefighters plan.

Mr. Ellingsworth asked Joe to explain the City's resistibility regarding the unfunded liability for this plan. Mr. Safford explained you take the total unfunded liability and divide it by 30 years and that amount becomes an annual cost to the City in addition to the normal annual actuarial gain or loss.

Mr. Safford has outlined what the city has already done to balance the City budget over the past several years. For example, the Budget Task Force was created, the City Manager and Department Heads prioritized the entire budget starting at zero and added in necessary items individually. The City has frozen wages, closed open positions, offered voluntary early retirement windows. In addition, discrepancies were found in homestead exemption properties that were actually rented, take home vehicles had to be justified, and so on.

Mr. Safford told the board about an "in-house" clinic that is planned for City employees and their dependents. Additionally they are looking at implementing a Fire Assessment Fee. He suggested we look at what we can control for example how to improve collection rates, service charge rates, water loss, etc. The major challenge being that we are anticipating a five to six million dollar reduced revenue from property values (assuming no increase in property tax rates from our current rate). He indicated that salaries and benefits are approximately 60% of our total costs and therefore it will be difficult to cut any large expenses without touching employee salaries and benefits.

He concluded his presentation turned the meeting over to the Board Chairman, Mr. Ellingsworth.

#### **Item 6. Planning of Meeting Frequency / Preferred Dates and Times**

Mr. Ellingsworth thanked Mr. Safford for the presentation and noted that the trends are alarming. The recommendations would need to be presented to the City Commission before September 2010. He wanted to look at items that can be addressed without a lot of resistance, but clearly the salaries and retirement plans may be the focus, as increasing revenues will cause resistance.

After a brief discussion, the Board agreed they would meet the first and third Tuesday of each month starting at 8:30am and to allow approximately two hours on their calendars for each meeting. The Finance Department will supply a calendar of dates to the members.

Mr. Safford reminded the Board that a quorum needed to be met to hold a meeting so if members cannot be present to please let him know. With seven board members and two alternates, the alternates cannot vote if there is a quorum of regular members present. If there is not a quorum the alternates may vote.

Mr. Ellingsworth advised the alternates that they are invited to all meetings and are invited to make comments during the meetings, but not allowed to vote unless there is not a quorum.

#### **Item 7. Other Business**

Mr. Ellingsworth asked the Board if they had any question or comments.

Mr. L'Herrou stated from his experience working with the City Commission previously while on the Budget Task Force that something they may be looking for the Board to do is to take a look at the various special programs that have been established and see if the programs are still needed.

Mr. Safford stated that the department heads had previously separated their departments into "functions" for the Commission, which may be useful to the Financial Review Board.

Mr. Warner comments that he had seen the requests for the decision packages. It was unclear to him whether or not the full content of the decision packages had been used to make the final budget decisions. For example, the department had been asked what they wanted to spend, but how does it benefit the City, what are the numbers of people that are users of their program, what alternatives are there to the City for

funding the service? He wanted the departments to be made aware that during their budget process, the Board will be looking very carefully at the decision package returns.

Mr. Safford described some of what the departments have to go through during the budget process. He mentioned the amount of detail that is submitted to the City Manager. Additionally the detailed costs are broken down into functions. He offered assistance to the Board as far as supplying them with any amount of information they desire.

Mr. Ellingsworth asked if they could look at the detailed budgets and function reports and then decide how to go forward.

Ms. Pearce asked in reviewing the budget could they be provided with information as to what revenue the departments generate in addition to what expenses they generate? This would show which departments are profit centers, which are expense centers and which are revenue neutral.

Mr. Safford stated that he would supply that information.

Ms. Pearce stated that would be helpful to determine where the shortfalls are; which departments are generating expenses where no revenue is being generated.

Mr. L'Herrou stated that it is important to remember when people talk about how the government should be run as a business that the government is not a business. It isn't its intent to make a profit or to cover expenses and programs with profits made in other areas. Except for to the extent that they should be covering costs of certain types of services with the revenues made from that service.

Mr. Moore asked that the group think about functionality and priorities by seriousness, urgency and growth. This committee may end up having assignments of where we know functionalities and strengths are and to share with one another specific kinds of recommendations the city can take actions on.

Mr. Ellingsworth stated he would like to set a goal and that they should have an agreement towards that goal of reducing costs by six million dollars. By looking at that goal they can see if they are making significant progress.

Mr. Safford noted increasing revenues helps as well as reducing costs.

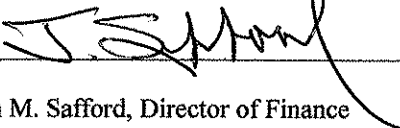
Mr. Warner stated the Board was formed to think "outside of the box" but he does not know how we can find five or six million dollars without 1.) The city doing fewer things than it currently does. 2.) Cutting staff. Unfortunately the Board will be making some unpopular decisions.

Mr. Ellingsworth commented to the members that he looked forward to working with all of them.

## **Item 8. Adjournment**

Mr. L'Herrou moved the meeting be adjourned. Mr. Warner seconded the motion and the vote was unanimous. The meeting was adjourned at approximately 11:45 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 December 1, 2009, which minutes were formally approved and adopted by the Financial Review Board on December 15, 2009.

  
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Joseph M. Safford, Director of Finance