

## BUDGET TASK FORCE

### Minutes of April 21, 2009

#### **Item 1. Call to Order/Roll Call:**

Meeting was called to order by Chairperson Franklin Wheat at 8:30 a.m.

**Members Present:** Peter Arts, Mark Denkler, Vincent Dole, Howard Ellingsworth, Todd L'Herrou, Robert Moore, Alexander Simon, James Smith and Franklin Wheat

**Members Absent:** None

**Guests Present:** Joseph Safford and Karen Schell

#### **Item 2. Approval of the agenda:**

Mr. Moore moved to approve the April 21, 2009 agenda, seconded by Mr. Dole. Said motion passed unanimously.

#### **Item 3. Comments from the Public:**

None.

#### **Item 4. Approval of the Budget Task Force Minutes for March 17, 2009:**

Mr. Denkler moved to approve the March 17, 2009 minutes, seconded by Mr. Moore. Said motion passed unanimously.

#### **Item 5. Review of new handout material:**

Mr. Safford indicated the insurance claim project is being pursued. This involves four different insurance companies. The largest portion of the claim is \$2.7 million for Fire Station #4. FEMA requires the City to go through the insurance company to see what they will pay to minimize their costs.

The engineering evaluation questioned if the 1975 building should be rehabbed, repaired or replaced. Due to its age, the facility was not in compliance with ADA and various types of building codes were not up to date. The building code specifies if damage exceeds 50% of the value, one is required to update everything to code. City Commission chose to rebuild it. The insurance policy listed the original value just over \$300,000; it was replaced for \$2.7 million. Even if the full amount is not recovered, it would still leave \$1 million for other projects. Some of this money would be returned to FEMA and some money retained into the fund as surplus.

The second large project in progress is an analysis of all rented properties within the City of Delray Beach. Staff started with Community Improvement Department's landlord permit listing. Every landlord must file for a landlord permit each year at a cost of \$50.00. Staff compared the landlord permit listing (roughly 2,500 properties), with the Palm Beach County Property Appraiser file to evaluate whether the rented property was receiving a Homestead or Save our Home exemption.

The properties on the landlord permit file illustrate approximately \$23 million in rented properties that are receiving a Homestead, Save Our Homes exemption or both. If one rents their property, they are not entitled to either exemption. Should an owner live in a unit with multiple units, there may be a partial exemption allowed. These all need to be evaluated by the Property Appraiser. The City's portion could equate to approximately \$163,000.00.

The second evaluation consisted of reviewing the utility billing files. Customers are classified as an owner or tenant. A list of tenant files were generated as those would be rentals. This was compared to the

landlord permits, marking off all that were on the landlord permit file. The remainder are researched and compared with the Property Appraiser's office to see who the owner is and confirm the owner is not the tenant. We also review if the property has a Homestead or Save Our Home exemption; if not, they are still missing a landlord permit. Roughly 200 properties need landlord permits; approximately \$10,000.

The third evaluation is individuals being taxed properly, but no landlord permits. When renting a property, the owner has the tenant set up the account in their name; another way to determine it is a tenant versus an owner.

The taxed problem lies with those individuals that don't have a Homestead or Save Our Home exemption; they are paying taxes on their full market value. A single family resident's value, with an exemption, can only increase 3% each year. The Save Our Homes exemption has viciously curtailed the tax base in the City; on top of that they had a referendum which gave them another homestead. Property values have decreased; individuals with an exemption are not affecting us because their taxable values can increase up to 3%. It will hurt the City when the property values with no exemption decrease; this is a direct tax decrease to the City. A current estimate for next year's budget is an additional shortfall of approximately \$5-\$6 million.

Mr. L'Herrou commended Mr. Safford for his work. This is an excellent start on a project that will be seen throughout the State as a model for what other Cities can and should be doing. Excellent work Joe.

Mr. Simon questioned what the next step is; use the legal department to pursue prosecution?

Mr. Safford responded this is a Property Appraiser's problem. To have your property rented and for you to receive a Homestead and/or Save Our Homes exemption is fraud. It will be up to the Property Appraiser's office how they handle it. They may handle it as fraud or give a warning notice of an adjustment in one's taxes. City Staff will handle the landlord permit aspect of it. There is a penalty in the permit file indicating the City could triple the fee.

Mr. Ellingsworth questioned if the County will provide feedback towards the budget task force report.

Mr. Safford is hoping the Property Appraiser's office will go down the spreadsheet listing and state the status of each property and report back electronically.

Mr. Safford continued stating the final report will be in written form as opposed to a spreadsheet as there are confidential files involved. This will be reported to the City Commission.

#### **Item 6. Discussion of Independent city Contract Reviewer:**

Mr. L'Herrou indicated at the last meeting there was discussion of recommending the City hire a contract manager to handle the full contract process. There have been times within the City of Delray Beach when the contracting processing is handled internally within departments; some departments do quite well and other don't handle it as well. The attorney's office handles the legal overview; however, their concerns are primarily legal concerns and not necessarily the details of the contract.

Mr. L'Herrou's further research found several other cities actually have a contract officer (employee) who initiates, coordinates, manages and otherwise evaluates all activities for signed contracts. Their job is to know the City's fees, codes, state codes and be involved in each step of the process for which ever department is requesting the contract.

Mr. Ellingsworth indicated another point at last month's meeting was the price structure of Office Depot. Several Cities and Counties have actually sued them for over charging. Mr. Ellingsworth questioned if the City was involved in that.

Mr. Safford stated he conversed with the purchasing department and this was caught early on to prevent the situation into becoming a further problem.

Mr. L' Herrou commented department heads found the consumer price to be lower than the governmental contract price when placing an order.

Mr. Safford stated when he first came to work for the City the purchasing department (5 employees) would check contracts, bids, make sure all were adhering to the policies and so forth. Today with next day delivery, there was no reason for staff to man a warehouse. We don't have time for an individual to evaluate these items. The departments requesting contracts and bid packages should be reviewing all this data prior to it going before City Commission. Again we will run into further cut backs, Mr. Safford was not sure how this would go as far as recommending another position.

At this time, Mr. Wheat questioned if Mr. Safford would bring the Task Force up to date on the Waste Management issue.

Mr. Safford indicated a private citizen complained beach area residents were bringing their garbage curbside and being charged for rear door rates. The citizen didn't feel residents knew they had rear/side door service; residents were not kept up to date with the pick up method. City Staff put a map on the back of the utility bill displaying each area and service they receive. The citizen's next question was Waste Management's franchise fee. If the utility rate increased 50% why didn't the franchise fees increase 50%? The difference being waste management's new contract does not have roll off franchise. Roll off containers are opened to anyone that wants to pick them up; however, they have to pay the franchise fee. There are actually two accounts; one for the waste management franchise for their garbage collection and then an account for roll off franchise fees. When added together, it all balances to the penny.

Mr. Ellingsworth stated he would like to see in the Budget Task Force's report a recommendation that the City prepare an analysis of ongoing future operating/maintenance costs for all major capital improvement projects. In addition, take this a step further and ask how these costs will be offset as they are an addition to the budget as operating costs. We need to find ways to cut expenses. It is very important for City Commission to determine these items before the approval of major projects.

Mr. Simon commented the parking garage was a gift. There is a financial impact as the City now has to maintain it; maintenance to include insurance, lighting, security, etc. What about the pension's financial growth? The financial impact of major decisions by the City Commission needs to be addressed.

Mr. Moore commented to readdress the paving of roads; when a curb is installed and plants and trees are planted, maintenance comes into play when cutting back the leaves and shrubs.

Mr. Safford indicated this is a good topic to be included in the final report; a section relative to these types of observations and recommendations. How to cover future operating and maintenance costs.

Mr. Smith questioned if the Task Force should go into detail and give specific examples. (ie: the parking garage, Office Depot, Tennis Center)

Mr. Safford commented time is of the essence. The report needs to be finalized and brought before the City Commissioner prior to June 30<sup>th</sup>. Costs have been displayed in the first report. It should be general policy to look at all contracts and all capital improvements.

Mr. Ellingsworth also believes the City should have a contract manager. He feels this individual will pay for his/her costs ten fold.

**Item 7. Other Business:**

Mr. Smith questioned clarification on two items currently on the City Commission agenda. One being the Pop Up feature for retirement benefits and second the request for a City Commissioner to sit on the Police and Firefighter's Pension Board.

Mr. Safford indicated currently the Police and Firefighter's Pension Board requires the Mayor to sit on the Board or a member designated by the Mayor. Assistant City Manager Doug Smith has been designated by the Mayor previously and the Board would like him to continue, but also have another City Commission member as well. The second question of the Pop Up provision is a no cost item from an actuarial costing. A retiree chooses a certain benefit payment where should he die; his spouse would receive a certain amount. There have been times where the spouse predeceases the retiree; thereby having the retiree

take a lower benefit due to the spousal beneficiary. The retiree wants to be able to revert back to the original higher benefit.

Mr. Moore presented a check in the amount of \$1,000 to the Chamber of Commerce for the income generation contest requesting a letter outlining the fact this is for an income generation contest for the City of Delray Beach, so it does not become a donation.

Mr. L'Herrou stated he would follow through on this request stating it is restricted funds to be used for this purpose only. It has been previously discussed that essentially the Chamber will set up a committee to decide the appropriate winners. Perhaps three levels of awards of best legal revenue generating ideas. All ideas will be forwarded to the City, not just the award winners.

**Motion to Adjourn:**

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. Ellingsworth. Said motion passed unanimously. The meeting adjourned at approximately 9:50 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 April 21, 2009, which minutes were formally approved and adopted by the Budget Task Force on May 19, 2009.

  
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Joseph M. Safford, Director of Finance

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