

FINANCIAL REVIEW BOARD - MEETING MINUTES

JANUARY 19, 2010

ENVIRONMENTAL SERVICES ADMINISTRATION BUILDING

Item 1. Call to Order

The Chairman of the Board, Mr. Howard Ellingsworth called the meeting to order at 8:30 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Howard Ellingsworth, Chairman
Robert Moore
Brenda Durden
Christina Morrison Pearce
Yvonne Walker
Jack Warner
Helena Antunes-Boska, Alternate
Rosalie Blood, Alternate

MEMBERS ABSENT:

Todd L'Herrou, Vice Chairman

STAFF PRESENT:

Joseph Safford, Finance Director
Barbara Flynn, Board Liaison
Rebecca O'Connor, Treasurer
Lisa Herrmann, Budget Officer

Item 3. Approval of Agenda

Please note: Ms. Antunes-Boska will be exercising her role as Alternate, voting in the absence of Mr. L'Herrou for the duration of this meeting and Ms. Blood (Alternate) will not be included in the voting process.

Mr. Ellingsworth asked for approval of the January 19, 2010 Agenda. Ms. Walker motioned to approve, seconded by Ms. Durden. Said motion passed unanimously.

Item 4. Approval of Minutes

Mr. Ellingsworth asked for approval of the Minutes of January 5, 2010.

Mr. Warner motioned to approve, seconded by Ms. Durden. Said motion passed unanimously.

Item 5. Public Comment

Mr. Ellingsworth asked for public comment. There were no public comments.

Item 6. New Handout Material

Mr. Safford provided the handout materials to the Board. The package included notebook dividers, charts depicting CRA annual tax increment, property tax receipts, the CRA taxable assessed values, final revision of the Mission Statement of the Financial Review Board, Department Head rankings of functions and Mr. Warner's three documents for discussion relating to 1.) Candidate Board Activities 2.) Revenue Increases 3.) Essential Program Ranking.

Item 7. Open Issues

a) Pension Program Alternatives – Review Consultant Actuary Study

Mr. Safford explained the City Manager has contracted with an Actuary on the Police / Fire Pension Plan and the General Employees Pension Plan to look at various alternatives in cost savings. The Actuary's final report is not completed. Ms. Pearce asked if the Pension Plans are still offered to new hires. Mr. Safford stated that they are. Ms. Pearce noted other cities have handled current employees with the same plan in place but future employees changed to more modern retirement plans. She expressed concern with continuing with something we know is detrimental to our financial viability. Mr. Ellingsworth agrees and adds that they should dedicate one entire meeting to the Pension Plan discussion, noting one defense of the current plan is to be competitive with the surrounding Fire and Police departments. Ms. Pearce added the Fire Department had six openings and

received six-hundred applications, showing there are other things that attract Police and Firefighters to the City. Mr. Warner stated, considering the Boards' ability to affect outcomes, and the City Administration having an outside expert actively looking at this issue, it may not be a productive idea to devote entire meetings to this issue. Mr. Ellingsworth does feel the City Commission will want input from a taxpayer's point of view and the issue should not be ignored. It was decided more information is needed such as the reports from the Actuaries and research on the surrounding cities before recommending changes.

b) Outstanding Recommendations from the Budget Task Force

Mr. Safford explained these materials were not available for this meeting since some of the items were currently in Union negotiations. The current IAFF negotiations have concluded with contract re-openers later this year on pensions, the VEBA (Voluntary Employee Benefit Association) and compensatory time. Mr. Safford will supply the outstanding Budget Task Force items at the next meeting.

c) Review Request Form - Used by Subsidized Organizations

Ms. Herrmann stated the application forms are sent out in April and are due at the end of May. They are submitted to Mr. Barcinski, Assistant City Manager, who has a review committee and they review the applications and provide their recommendations to the City Manager in July. Mr. Ellingsworth, who sat on the review committee, explained the position taken last year was not to add any new organizations in terms of support; also existing organizations incurred approximately a 10% cut in funding. However, Old School Square and the Library were not in that process. A consultant study prepared a report of all of the organizations the City provides funding to with a recommendation to establish guidelines for the process and to ensure there was no overlap in services that the organizations provide. He stated the organizations they reviewed may have totaled \$100,000, a nominal amount whereas Old School Square and the Library combined received two million dollars of funding from the City.

Mr. Safford stated you can either fund a private Library or it can be part of the County Library system. All residents are charged millage for being part of the County Library system. The City of Delray Beach residents and businesses are not charged that extra millage rate because the City funds this private Library. (Note: County Library millage .55 mils would be \$3.5 million to our residents whereas we contribute \$1.2 million to the private Library).

d) Review Report by Department Heads on "Ranking" of Programs

The report is categorized "A" thru "D" listing each position and by its ranking. Mr. Safford said the items in category "A" are basic core services –most legally required for a city to operate as a city. Ms. Pearce pointed out they are legally required to be a part of a city, but not legally required to be separate jobs. This comment suggests that individuals could have more than one job (efficiency savings).

Mr. Safford explained each Division may represent more than one person for example City Commission would include all of the Commissioners. The Finance Department has certain core accounting requirements that are category "A" where administrative staff and support staff may be a lower ranking. Ms. Durden stated some job functions could be combined to reduce personnel.

Mr. Warner said the best way to understand the ranking chart is in conjunction with the information provided within the Preliminary Budget Manual. He pointed out under the City Commission (on page nine) it explains what the legislative function does, expenditures and revenues. There is detail on each function of each department. Mr. Ellingsworth asked for the same ranking report arranged differently, to show the A-D rankings **by department** rather than all of the "A's", "B's" etc. together. Mr. Safford agreed to re-sort the listing in departmental groupings for the Board.

Ms. Pearce stated the listing showed a class "C" for Grants in the amount of \$1,530,000 as a cost and asked what does the City get in return for that? Mr. Safford stated it is a Grant from the City for the Library. Ms. Herrmann explained the "C" and "D" categories also have numbers representing a priority order of 1, 2 or 3 within those categories. Mr. Ellingsworth explained further they are showing top ranked tiers within the categories. Ms. Pearce noted that the rankings are by staff and the Citizen Survey shows what is important to the citizens: communications, economic development, drinking water, the beaches and emergency services. Ms.

Walker added the Board is designed to represent the citizens so they should review the Citizen Survey and then establish a priority ranking of their own. The results may not be the same as an internal departmental ranking system. Ms. Pearce agreed some items in the "D" rankings may not be desirable to the citizens in our economic time of troubles; having a great Fire and Police department which we do have, having clean drinking water and being on the cutting edge of how we are dealing with water in the City, which we are; that is what is important to the citizens. Mr. Ellingsworth agreed the Board would start with that approach. Mr. Safford stated some of the lower ranked items are not because the City does not feel they are important or not valued but may be items that could be transferred to the County.

Mr. Ellingsworth asked for clarity on the fact of some functions may be legally required but not required to be performed by City employees, the point being they may make a recommendation that a service could be more effectively or efficiently provided by contracting it out.

Mr. Safford stated the requirements to be a municipality, are by Federal Law, State Law, Local, or Organizations. The Finance Department for instance, is governed by additional accounting standards and the Government Financial Officers Associations (GFOA). Standard law is not the number of people you are putting in that function rather, the function itself is a requirement. Mr. Safford stated you could legally contract out payroll, but since the City has only one person in payroll to contract it out could not match our costs; therefore outsourcing is not always cost effective. You legally cannot contract a City Manager or Commissioners. He would provide a complete list to the Board of positions that a municipality cannot legally outsource. Mr. Moore stated the City Attorney has already deemed what is required so why question the "A" rankings. Nonetheless, after discussion the Board decided to review all rankings.

Mr. Warner submitted his version of the Department Head's rankings with the exception of doing it at the department level with only twenty-four entities ranked. He stated the right way to do it is by function so to review the guidance and the decision packages within the Budget Manual.

Item 8. New Business

a) Mr. Warner's Candidate Activities for 2010 and

b) Efficiency Reductions, Revenue Increases and Program Ranking Recommendations

Mr. Warner stated the written recommendation he submitted came from discussion at prior meetings about what their goals and objectives would be and also the guidance the Board received from the City Commission. He explained the chart portion shows the three broad areas the Commission would like the Board to look at :

- 1.) Revenue Enhancement
- 2.) Program Activity Review - with spending reductions
- 3.) Business Process Reengineering.

He had six ideas listed on the first page and the chart shows which guidance from the Commission they capture. His ideas included :

- 1.) Restructuring the CRA (Community Redevelopment Agency).
- 2.) Restructuring Departments – review if they can be outsourced, have fewer people or combined functions.
- 3.) Accounts Receivable – financial controls, service provided by contracts and policies - a business process review that starts with the level of service a vendor is providing, the costs and collection processes. He suggests a sub-group to research how the City handles financial controls.
- 4.) Charitable and Benevolent Contributions- in general this year the City plans to make grants in the amount of 1.5 million dollars from the General Fund. In review of the request for funding form - all requests should be accompanied by their IRS 990 Tax Form and not only ask how important the organization is to the City also ask do they need the money, and should the tax payers be funding the organization.
- 5.) Review Legacy Programs and Activities for Need – using the Citizen Survey and input from the Board, rank the programs with the same purpose of the rankings done by the City staff, but which is from a tax payer's perspective. He ranked the Fire Department ahead of all 23 other departments followed by the Police Department. The bottom ranking was our provision of outsourced Fire services to Highland Beach. Also included, a chart showing his personal points of view up for discussion by the Board.
- 6.) General Efficiency and Effectiveness Review – once they have ranked the importance of the functions, decide what the most efficient way to perform them, including at that time looking at outsource opportunities.

Mr. Safford noted Old School Square is within a City owned building; therefore the money spent on hurricane window hardening for example is the same as money spent on other City facilities.

Mr. Ellingsworth commended Mr. Warner on his outstanding effort. The Board went on to discuss each of the six subjects outlined in Mr. Warner's report.

Item #1 (pertaining to the CRA) Mr. Ellingsworth stated we would need to know more detail on how far can the funds we currently received from the CRA could be expanded within their legal charter. The CRA created in 1985, designed to eliminate blight; if something falls within that scenario you can justify the CRA expenditures.

Ms. Pearce stated the CRA can do things that the City would have trouble doing. They can raise funds more easily through grants. When looking at the CRA she suggested they review the funds that we would not get without a CRA. Also, an issue she questions other than the CRA, is the downtown district. The downtown district gets money from the CRA so rather than restructure the CRA she suggests restructure the financing of the downtown district. Concerning the district from I-95 to A1A; review other City budgeted items, which may be restructured into the downtown district budget or to the CRA budget.

Mr. Ellingsworth agreed that we do not want to lose the CRA, without it he estimates we would not be getting around five million dollars of County funds (tax increment financing).

Mr. Warner stated another layer of research is needed to determine alternatives for instance, what other cities are doing. The Board may want to appoint a sub-board that perhaps includes a staff person and a member of the Board to do this research. Mr. Warner's submitted narrative suggests not changing the legal framework, rather bringing the direction of the CRA more under the control of the City Commission; in Boynton Beach the Commission has appointed themselves as the CRA Board. This incorporates the funds in the form of taxes and may bring the opportunity for staff integration. Funds would still be segregated, but to what extent the funds could be moved is a question. The CRA currently funds some of the Library; possibly it could fund the entire Library.

Ms. Walker suggested having someone from the CRA to come in to answer some questions to better understand the organization, what it contributes, target areas, etc. It was decided not to bring them into the meetings at this time since Mr. Ellingsworth has served on the CRA he could answer some of those questions. However, because of legalities they need to know what falls within their charter such as the complete funding of the Library or the Clean and Safe program. The CRA's attorney or the City Attorney may be able to clarify those questions to determine if the City can benefit from what the CRA can do or if there are restraints. The pressure is on the CRA to come up with budgets to spend the money because the County will not give them money if they are not spending it, and to find ways to spend money for this reason is not always in the best interest of the City.

Ms. Pearce stated one of the core functions of the CRA other than eliminating blight is economic development, which is something the citizens want. Mr. Ellingsworth stated the CRA has an Economic Development Coordinator and they are spending more money now on functions that benefit the City. He stated they will need to talk with the CRA at some point to understand what they are doing now, and it may be advisable to have an independent board to oversee that money.

Mr. Safford stated the CRA has audited financial statements with assets, liabilities, fund balances just like the City does. Their unrestricted fund balance is somewhere around seven million dollars. When you start talking about collapsing the CRA and folding the money back into the City, the City would also be required to pick up their debt service. They have fourteen million dollars in debt that would have to come back as a debt to the City. Also you lose the four or five million dollars of matching money that the County provides.

Mr. Ellingsworth agreed the recommendation would not be to collapse the CRA but more so to consolidate it. Mr. Moore asked if the Commission suggested a change in the CRA and Mr. Warner stated the City Commissioners asked simply for ideas on revenue enhancement, program / activity review for spending

reductions and business process reengineering so the specific topic of reviewing the CRA was his recommendation. Mr. Moore stated the CRA restructuring may or may not be the first thing they want to judge.

Mr. Safford noted in scanning the State Statute (# 163) he saw some elements about the City having calculations for the tax increment financing and we give the CRA 95% of that calculation. But it has some verbiage that you can give them lower than that. You must give them at least 50% and he wants to finalize his research on that for full understanding. If they have unrestricted fund balance that they are having a hard time spending, one way to recapture some of the fund balance is to reduce the percentage which leaves more money of the assessed value in the City budget. It may be a way to create savings without collapsing or restructuring the CRA.

Mr. Ellingsworth stated the Board should rank the six recommendations submitted by Mr. Warner based on what they want to do first - which ones they could immediately have an impact on. The Board decided Item #3 - Fix Accounts Receivable and the collection process for increased revenue and Item #4 - Review Charitable and Benevolent Contributions and Special Event Funding as the first two items.

For item #3 ideas included to delegate an individual from the Board to provide a work plan, come back to the Board for approval and implementation of that plan, sitting down with the City staff that is responsible for collections, find out what the large dollar amounts are and how the financial controls imposed. To additionally compile a listing of the services the City bills for, how it is billed, the rates and whether they are comparable to other municipalities, terms, and the Finance Department's responsibilities on collection of payments on contracts the City currently has in place.

Mr. Safford stated Accounts Receivable is decentralized. The Police Department has parking tickets, fines and forfeitures that their personnel handle the collections for. The Fire Department has emergency transport fees and their administrative staff collects those fees. If necessary any delinquencies go to collection agencies. We know of problems with extensive "write-offs" in both of those areas. It may be more important to take two or three of the large receivable items creating millions of dollars of revenue and focus our attention on those. Look at the business process in those particular cases, how the information is recorded to determine the cause of the problems.

Mr. Ellingsworth stated there will be several immediate recommendations including policy recommendations. Mr. Warner agreed to be the person to review the Accounts Receivable process and present a work plan to the Board. Mr. Ellingsworth asked Mr. Warner to help them understand all of the collection processes for the billable functions such as water and sewer. Once a plan is in place they will separated the duties based on the activities included for the entire process of Accounts Receivable, of which collection is only one activity.

For item #4 Mr. Warner explained he feels the form is designed well, however he would ask for the 990 Tax form to be included. Also he would say to staff - are they asking the outside organizations the same questions that they are asking of the internal departments in terms of what alternatives there are. Mr. Ellingsworth would like for the next meeting to have a description of how the organizations such as the Library, Old School Square, Spady Museum and the Delray Historical Society differ from the other organizations, annual funding and annual application process, what they provide to the City, how much money these organizations get from the CRA and what they are getting the funds for.

Mr. Warner stated each of these organizations is providing valuable services to the community. There are two items to confirm, the value is important to the City and do they need money. Old School Square for example, showed on their last 990 form they had 1.5 million annual income statement surplus and three or four million dollars in an endowment. So is the City's \$205,000.00 so important to them, or could it go to another organization, elsewhere in the City Budget or back to the tax payers. Mr. Ellingsworth is interested in whether the organizations are keeping records of visitors, what programs they offer, sources of funding outside of the City and the CRA such as grants from the State. All organizations should be treated in the same way. Mr. Warner stated that in the current grant request a condition of funding is that twice a year reports are submitted to the City Manager so we could ask for them to submit three years prior semi-annual reports along with the request form and the 990 form. Mr. Ellingsworth will be the point person to bring this information back to the

Board. He will also start to work on Item #1 which is the information regarding the proposed recommendation to restructure the CRA.

Ms. Pearce will add another column to the departmental ranking of programs report based on the citizen's survey and a column showing Mr. Warner's rankings.

c) Open Discussion

The agenda items Mr. Ellingsworth would like for the next meeting are:

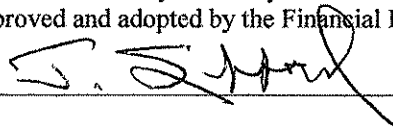
- 1.) Information on charitable requests. (Board Activity Topic Item #4)
- 2.) Accounts Receivable work plan. (Board Activity Topic Item #3)
- 3.) Items of recommendations from the Budget Task Force.
- 4.) Review report from the retirement consultants (Actuary Study).
- 5.) Updated spreadsheet on the rankings of programs.
- 6.) Information about the CRA. (Board Activity Topic Item #1)

Mr. Moore stated they should all think about what their strengths are to be ready for the next meetings assignments. No additional open discussion.

Item 9. Adjournment

Ms. Durden moved to adjourn the meeting. Ms. Walker seconded the motion and the vote was unanimous. The meeting adjourned at approximately 11:05 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 Financial Review Board of January 19, 2010, which minutes were formally approved and adopted by the Financial Review Board on February 2, 2010.



Joseph M. Safford, Director of Finance