

BUDGET TASK FORCE

Minutes of March 4, 2008

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, Vincent Dole, Howard Ellingsworth, Steven Janssen, Todd L'Herrou, Robert Moore, Alexander Simon, James Smith, and Franklin Wheat

Members Absent: None

Guests Present: Lisa Herrmann, Joseph Safford, Karen Schell and Rebecca O'Connor

Item 2. Approval of the agenda:

Mr. Ellingsworth moved to approve the March 4, 2008 agenda, seconded by Mr. Janssen. Said motion passed unanimously.

At this time, Chairman Frank Wheat commented alternate members would not be able to partake in discussion as long as all regular members are present.

Item 3. Approval of the Budget Task Force Minutes for February 19, 2008:

Mr. Simon moved to approve the February 19th, 2008 minutes, seconded by Mr. Janssen. Said motion passed unanimously.

Item 4. Mission statement:

Mission statement ballots were gathered. As members were completing their choice at this time, the Task Force moved onto the next agenda item.

Item 5. Review of new handout material:

Mr. Safford reviewed the handout materials as follows:

- Item 1: Listing of Police Officers and Firefighter's salary comparison with other cities.
- Item 2: Program Enhancement by Fiscal Year. This illustrates additional items to the budget year for each fiscal year stated with explanation.
- Item 3: Tax Collection Growth. This illustrates the CRA growth from 2000 to 2008.
- Item 4: Assessed Valuation Growth. This illustrates the CRA and the City taxable valuation.
- Item 5: City of Delray Beach Population graph.
- Item 6: General Fund Expenditures. This is a comparison by line items from fiscal year 99/00 through 07/08.

Mr. Janssen questioned if for the year 2007/2008, the Actual numbers would increase.

Mr. Safford responded stating presently there is a projection of a \$1.3 million shortfall in State distributed revenues such as sales taxes, gasoline taxes and state revenue sharing. The cost of additional homestead exemption is estimated to be between \$2.3 and \$2.5 million. The impact of portability and caps on commercial and non-homesteaded properties is unknown. Homesteaded property is taxed based upon the save our homes cap; non-homesteaded properties are capped for the first time. The impact will not be known until the preliminary assessments are received which would be around July.

Mr. Arts questioned if the 2007/2008 budget contemplates any new projects coming on line that would generate property tax revenue to the City.

Mr. Safford explained if a certificate of occupancy was issued as of January 1, 2008, it would generate revenue this year. Any certificate of occupancy after the first would generate revenue the following year for the 2010 budget.

Mr. Safford continued stating all Department Heads have been informed by the City Manager that there is a freeze on all personnel in the General Fund. Any open position must be approved by the City Manager with the exception of certified Police Officers and Firefighters.

Mr. Dole questioned what the impact of this would be.

Mrs. O'Connor commented she calculated that at year end the City would still be short approximately \$400,000. This would be with the assumption that no positions received approval to be filled, and using an average of \$50,000 per position.

Mr. Wheat questioned how a retired Police Officer or Firefighter and a new person coming on board come into play.

Mr. Safford explained the General Employees Retirement and Police and Firefighter's Retirement are an annual calculation based upon an actuarial study with a one time deposit. There are no adjustments made throughout the year based upon people retiring or being hired. Every year another actuarial study is completed.

Mr. Janssen questioned the funding status of both retirement plans.

Mr. Safford responded the General Employees Pension Plan is basically fully funded. The Police and Firefighter's plan is close to 70% funded. Every year the City is required to make an annual contribution to bring the plan up to 100% funded. The unfunded portion is the difference between the current assets in the plan and the projected cost of the plan. This is allowed to be funded over a 30 year period. The unfunded portion is due over a certain period of time.

Mr. Ellingsworth questioned if this was negotiated or statutory mandated, recalling part of the Police and Firefighter's retirement plan was retroactive.

Mr. Safford explained this was an actuarial calculation. Back in 2003 there was an ordinance change to move the Police and Firefighter's multiplier from 3% to 3.5% times years of service. If they would have moved forward the impact would have been decreased substantially; however City Council approved all past years of service at no cost to the employee.

Mrs. O'Connor indicated the only item that she believes is negotiated would be the retiree health trust which is part of the union contract.

Mr. Safford continued stating the Fire Department gave up a 2% across the board raise; in exchange the City was to deposit 3.3% into a retiree health trust (VIBA). Subsequently two years ago the Police Department joined this retiree health trust.

Mr. Ellingsworth questioned what the general employee's health policy was. Is it for employees only and how much if any does the employee contribute.

Mr. Safford explained general employees have three choices for health insurance plans; HMO, POS and PPO. These are all self funded but administered by CIGNA. The City pays claims, individual and aggregate stop loss insurance and administration of the plan through CIGNA. All employees' premiums are paid for by the City; employees pay for any dependant coverage. The City has a health insurance committee consisting of union members, police, fire, management and outside third party administrators which review and study health savings. Mr. Safford commented personally he does not feel there is abuse in the system. There are a few people causing a large volume of claims due to serious health conditions.

Mr. Ellingsworth questioned if the committee considered the HSA, as it is becoming a viable option for cost reduction. Employees become much more responsible about visiting doctors when it is there cost. Until recently the premium savings have not been sufficient.

Mr. Safford responded yes, the HSA has been reviewed. The committee looks at the entire group of employees from blue collar, department heads, high, medium and low salary individuals. Many employees have a tough time paying the \$20.00 co-pay much less a larger deductible medical plan. A product is designed for all employees to receive adequate coverage. Health care is a nation wide problem.

Mr. Simon suggested the Task Force consider subcommittees for certain issues to expedite developments for research and suggestions.

Mr. Safford commented on the importance of the Task Force to realize there is a learning curve. Staff expected to have several meetings held by the Task Force gathering information and learning the process. Once the numbers are understood, then members will be able to look at the detail to see if a change in policy is needed or if a control mechanism is missing that should be put in place to lower the growth of expenses. Mr. Safford continued stating the tax reform is not complete yet. The State is considering capping City expenditures. The City may not have a choice but to decrease certain expenses. The budget process is changing where each Department will be reviewing individual functions. Further explanations will be given to the City Manager and City Commission of the functions of each department. As cuts are made, functions would be removed by prioritization.

Mr. Wheat suggested the Task Force analyze one group at a time. Income or revenue would need to be put on hold as we don't know what the tax structure would be at this time; however the Task Force could review the expenditures for reduction if possible. One such item could be reimbursable overtime versus regular overtime; what is the difference here?

Mr. Safford explained reimbursable overtime would include special events where entities are to reimburse the City a part or all of staff cost. Police officers control traffic, firefighters are on site for medical purposes, public works put up barricades, trash pick up, setting up, taking down and clean up are all involved creating overtime. Special events are approved by City Commission; the approval process contains an agreement listing what portion of the City's cost would be reimbursed by the entity.

Mr. Simon questioned the expense for the Library.

Mr. Safford explained the Library could be part of the County Library system or the City could have its own Library. The Library is a private organization funded by the City, as the alternative is, if joined with the County, taxpayers would be charged a millage.

Mr. Simon gave examples of entities which raise money for themselves, such as Old School Square, Libraries and the Morikami. The Tennis Center doesn't have that type of organization; the Task Force should recommend creating a support group for this.

Mr. Safford indicated when reviewing line items members should review both the revenue and expenses. The Tennis Center revenue includes merchandise sales, tennis lessons, membership fees, etc. Tennis events have a large group of volunteers who assist in running events. There are significant tennis costs for special tournaments; some have long term contracts with fees to be paid annually for tournaments. The philosophy behind this is it benefits the entire City by having something no other City has. A reputation is developed that can be transferred into property value; usage of downtown restaurants, hotels and retail. This has revenue generating capabilities to the city's taxpayers.

Mr. Wheat cautioned the need to be careful with the Tennis Center as the sales tax goes to the State with the hopes of some of it being returned to the City.

At this time, Mr. Wheat went back to review the Mission Statement.

As there was a tie for statements 1, 3 and 6, Mr. Wheat reiterated these statements and Task Force members selected number three with the change of the wording "determine" to recommend.

1. The purpose of the Budget Task Force is to provide recommendations to the City Council to reduce future City of Delray Beach Budgets by identifying non-essential services and programs for elimination within the general fund of the proposed City wide budget.

3. Provide a mechanism for members of the Budget Review Task Force, working with the Director of Finance and staff personnel to study the budget for Delray Beach to determine (**changed to recommend**) if there are ways, both in short term and long term, to enhance revenues or reduce expenses beyond what is currently being established.

6. The mission of the committee is to advise the Mayor and City Commission within six months, being July 7, 2008 as to how to reduce the City's operating Budget to a level that more efficiently provides the citizens of the community with the quality of life at least at the current level.

Mr. Ellingsworth moved to select number three as the Budget Task Force's mission statement changing the word "determine" to "recommend", seconded by Mr. Arts. Said motion passed unanimously.

Mr. L'Herrou suggested the Task Force continue to learn by focusing on certain areas in sessions. Such as the next session focus on salaries and wages; the session after being benefits. Mr. L'Herrou feels there are certain issues lying underneath that have not been discovered as of yet.

Mr. Safford indicated members may need to meet with Department Heads to possibly determine a low priority function. Salary and wages is approximately 60% of the budget, making this the predominant area of having a significant impact. Line items of operating expenses can be trimmed but will have little impact on the bottom line.

Mr. Ellingsworth suggested Task Force members evaluate policies in place. Policies may require a certain number of vehicles or personnel; not as a requirement, but a safety issue. Overtime is a major factor in certain departments; understanding policies may lead to the recommendations of changing or modifying costs. Mr. Ellingsworth commented as a general board he feels there will not be enough time to address all the issues needed in the allotted time frame unless members break into groups.

Mr. Safford agreed stating if members look at the breakdown of who is creating the overtime, it will predominantly be public safety. A large part is due to special events and coverage of absences.

Mr. Janssen indicated an example of a City comparing their departments with like departments of other cities where it led to the finding of inefficiencies. In discussion of policies, do other cities have the same rules or do they find roundabout ways of dealing with these?

Mr. Safford responded this could be different all over. To his knowledge there is no minimum manning requirement.

Mr. Arts suggested focusing on one item for the next meeting. Put together a series of questions for staff and request copies of policies. This would lead to the conclusion that it is the right way to go or we've stumbled but we've learned something.

Mr. Ellingsworth moved to make a motion requesting from Mr. Safford explanations of what is causing overtime in departments, copies of department policies and how much is spent on special events, seconded by Mr. L'Herrou. Said motion passed unanimously.

Mr. Simon suggested having the Fire and Police Chief attend the next meeting for a brief discussion.

Mr. Wheat feels the Task Force would be premature in bringing in the Fire and Police Chief until members digest what the policies are and list their specific questions. To have these individuals sit and wait for the members to decipher their policies would be a waste of their time and an embarrassment to the Task Force.

Mr. L'Herrou questioned what the calculation of the retirement benefit entailed as far as wages and if overtime was included. In some cities overtime is run up to increase the retirement benefit.

Mr. Safford responded the General Employees pension is based upon base salary; bonuses, incentive pay, and overtime are not included in the calculations of a retirement benefit. Police and Firefighters are basically the same; however, there are currently a few litigation cases. One being certification pay, whether that should be included (City Commission stated no as it is considered a bonus.). Secondly, the state mandates police overtime up to 300 hours be included as a minimum benefit. The City has a 1993 agreement which

states any premium tax monies received be put towards a cost of living benefit for police and firefighters. Currently these funds are being reserved until the lawsuit is settled.

Item 6. Review of previous handout material:

No comments.

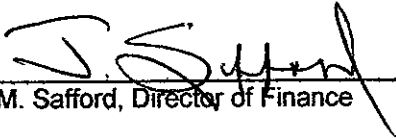
Item 7. Other Business:

Mr. Wheat requested when members discuss items, specific names of individuals, businesses, companies and/or departments not be mentioned. He doesn't feel it appropriate to have names mentioned when negative comments would be part of records.

Motion to Adjourn:

There being no further business, Mr. Ellingsworth moved to make a motion for adjournment, seconded by Mr. Arts. Said motion passed unanimously. The meeting adjourned at approximately 10:00 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 March 4, 2008, which minutes were formally approved and adopted by the Budget Task Force on March 18, 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