

FINANCIAL REVIEW BOARD - MEETING MINUTES

FEBRUARY 16, 2010

CITY HALL – FIRST FLOOR CONFERENCE ROOM

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
Jack Warner
Yvonne Walker
Christina Morrison Pearce
Brenda Durden
Rosalie Blood, Alternate

MEMBERS ABSENT:

Todd L'Herrou, Vice Chairman
Robert Moore

STAFF PRESENT:

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

Item 3. Approval of Agenda

Mr. Ellingsworth asked for approval of the February 16, 2010 Agenda. Motioned by Ms. Pearce, seconded by Ms. Durden. Said motion passed unanimously.

Item 4. Approval of Minutes

Mr. Ellingsworth asked for approval of the Minutes of February 2, 2010. Ms. Pearce moved to approve. Discussion included several changes made to the wording of the minutes. Mr. Ellingsworth also asked if the Board would be in agreement to the minutes being prepared in summary format as opposed to a detailed format. The Board agreed unanimously to focus on the topics, the conclusions and voting processes in the transcription of the minutes. Mr. Warner seconded the motion. The approval of the minutes as revised was unanimous.

Item 5. Public Comment

Mr. Ellingsworth asked for public comment. Dr. Victor Kirson stated that legal counsel he received on the subject of the Financial Review Board's minutes was - the more detailed your minutes, the more likely you will be sued.

Item 6. New Handout Material

Mr. Safford provided the Board with several handouts including:

1. Agenda 2/16/10 and Minutes 2/2/10.
2. Executive Summary of the Citizen's Survey.
3. A letter from the Mayor to Mr. Ellingsworth regarding a review of the business process of franchise revenues and ensuring that Waste Management is billing the City correctly.
4. Letters from GRS (Gabriel Roeder Smith & Co.) on actuarial studies of alternatives to both Police & Fire and General Employees Pension Plans.
5. General Fund spreadsheets on revenues by Department.

Item 7. Open Issues

a) City Commission set spending target / Direction from the 2/9 Workshop- Waste Management

Mr. Safford explained the Commission advised the Board to *assume* there is to be no millage rate increase while formulating their budget recommendations. The exact numbers will not be available until June, but it appears we will need to target approximately five million dollars in budget reductions to balance the General Fund.

Mr. Ellingsworth discussed with the Board their opinions on whether they feel the Commission has adopted their recommendation - for the Commission to set a planning *target* spending amount for the City Manager to pass down to each department. In conclusion the Board was not convinced the Commission has adopted their plan.

Mr. Safford stated there is a Budget Kick-Off Meeting on March 17, 2010 at which time the Department Heads will receive instructions from the City Manager regarding budget preparations. It may not be clear until that time the City Manager's approach. However, Mr. Safford does not believe it will be an across-the-board cut for all departments, but rather a percentage decrease based on the factors involved within each department. Additionally, reductions may be made in areas only the City Manager has the authority to change such salary and benefit packages including Pension Plans, Workman's Compensation, Unemployment Compensation, effecting all departments. These changes may be decided prior to giving the departments an accurate target spending amount. The Commission wants recommendations from the Board based on a citizen's perspective and ultimately how to approach the departments and make these adjustments will be up to the City Manager and the City Commission.

Mr. Warner stated not only was the recommendation to set targets but to also have the Commission realize in order to save meaningful amounts of money the City will have to cut some staff. The sooner in the process that is established, the better it will be for all involved. He stated from the beginning the recommendation was very broad, and once the targets were set, the departments would find ways in which to operate within their budget.

Mr. Ellingsworth explained he sent a letter to the City Commission asking for a definitive response to the recommendation of setting a spending target. He did receive a letter back from the Mayor explaining the issues the Commission is asking the Financial Review Board to review regarding our franchise agreement with WM (Waste Management). There was some discussion about these letters and Mr. Ellingsworth stated he would speak again with the Mayor.

Report on Revenue by Fund / Department

Mr. Warner explained the spreadsheet was the work of Ms. O'Conner and staff, representing the General Fund revenues of approximately one-hundred million dollars organized by department, showing eight departments responsible for the bulk of the revenues and the corresponding dollar amounts. He wanted to focus on one or two of the departments collecting large amounts of revenue, and do overall processes review. He stated to keep in mind these spreadsheets are only for the General Fund - there are other large amounts collected from sanitation and water/sewer revenues which he will also be looking into which may also be candidates for review. There are also ad-valorem taxes coming into the City from the Tax Collector that Finance staff has been reviewing. Mr. Warner will come back to the next meeting with specific recommendations.

c) Report on CRA's ability to further fund programs

Mr. Ellingsworth stated the CRA has spoken with their attorney about how they could take over additional City related expenses. Their guidelines are that the funding be directly related to economic development or blight. They currently pay for the Library to be open additional days because that does have an impact on the downtown area; however they would not be allowed to fund the maintenance costs. They fund the Clean and Safe Program providing additional police in the downtown area. If they purchased specific properties from the City, then they would be responsible for the maintenance and utilities of that property. If the Board wanted to make a formal request for the CRA to purchase City owned property, appraisals and evaluations of the cost savings to the City for maintaining the property would be needed. Ms. Pearce also provided research on the CRA's processes such as: Items must be addressed in advance through their Re-Development Plan, which is done every two or three years. The Board concluded that it is worth examining but they are not ready at this time to make a recommendation for the City to sell any properties to the CRA.

d) Board's role in the Waste Management commercial franchise fee and residential unit count analysis

Mr. Ellingsworth stated he received a letter from the Mayor for the Board to review two items – 1) Has the City received all of the Franchise Fees payments from Waste Management? and 2) Has the City overpaid for residential solid waste services?

Mr. Reade is assisting Mr. Harden and the City Commission with this project. He addressed the Board with his findings, stating this has been a long standing issue. A resident has been looking at the processes in collection and the remittances from WM and the City. He stated there is a new letter that went to WM with twelve questions from the resident. The two main issues are the residential collections and the commercial accounts. He met with WM and they are going to provide the City with all of the financial background. WM has been more than forthcoming with the information they are willing to provide to the City. City employees are currently doing a field count of all residential units not only confirming the number of units but also confirming those are in the correct category of AGAR (Curb-side roll-out carts) BGAR (Rear-door pickup), CGAR (Curb-side bags) and/or DGAR (multi-family) due to the categories having different rates. There are other more complicated factors to consider especially the commercial accounts; WM does the commercial billing however it does effect the franchise fee attachments associated with these accounts. The City needs to verify those numbers as well. So, the City has created a working group of staff that is meeting on this issue on a regular basis. Additionally, Mr. Safford has put in countless hours assisting this resident with his concerns. As issues are resolved they are currently making changes. We have been within 200 to 300 units with our comparisons to PAPA (Property Appraisers Public Access), WM and SWA (Solid Waste Authority) counts since 2001. The City has over 33,000 in residential accounts so this is relatively a small number of differences. They have determined the best measure for the number of units is the PAPA file, but our field tests are the only way to determine the correct categories. The SWA also does its own field tests. With our field tests and these other two resources we will have a strong number to move forward in order to insure we have proper customer billing as well as correct franchise fee totals. Mr. Reade advised that several of the field test unit counts are complete but the largest one - the AGAR accounts should be complete in 45 to 60 days. The franchise fee analysis will be available for the next meeting (03/02/10). In moving forward they will re-verify the numbers on a monthly basis. Mr. Safford stated he is going to bring to the Board recommendations on improving the business process and will be working on producing a procedures manual.

Due to the work already being performed by City staff, the Board decided to wait until staff has finished their analysis and use that information for evaluation purposes. Mr. Ellingsworth will prepare a response to the letter from the City Commission to that effect.

e) Review Actuarial cost reports on City Pension Plans

Mr. Safford presented the results of the plan design study provided by GRS (Gabriel Roeder Smith & Co.). Mr. Ellingsworth stated he did not see a freeze of the existing plan and going into a traditional 401K as a recommendation in the documentation. Mr. Safford stated that was not their recommendation however the Board should take time to review the study to absorb all of the recommendations they have listed in the benefit structure and discuss it at the next meeting.

Item 8. New Business and Open Discussion

The next meeting will include:

1. Presentation by Mr. James Tabeek concerning the fire surtax.
2. Mr. Warner will have an update on the revenue business process activity; provide priorities in which to focus, starting with one department to develop a prototype for future use.
3. Ms. Pearce will do some work on the recommendations from GRS to see what the procedure will be to inform the Police & Fire contract negotiators. Discussion on the results of the study once reviewed.
4. Report on the commercial franchise fee analysis if available.
5. Mr. Ellingsworth will have a letter drafted to the Commission concerning the spending target; whether their plan was adopted, including a response to the Commission concerning the WM franchise agreement analysis request.
6. Mr. Ellingsworth will have information regarding the ongoing maintenance costs of City owned properties.

Ms. Pearce said she has been pleased with the Department Heads agreeability to find ways to reduce budget costs within their departments as well as finding innovative new ways to pay for the City's needs, such as acquiring Grants. Mr. Reade stated that Mr. Harden had formed a Grant Team last year when the stimulus

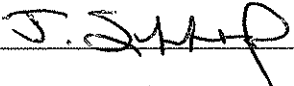
information was coming in, which has changed the culture and may attribute somewhat to management's new outlook.

They discussed some of the Board's list of previous priorities, such as cost reductions. Mr. Ellingsworth stated they would continue to look into restructuring departments, reviewing functions and organizational charts in order find possible redundancies in positions. The best approach may be to look at the departments individually. Department Heads may be asked to attend the meetings for input relative to their departments.

Item 9. Adjournment

Ms. Durden moved to adjourn the meeting seconded by Ms. Walker the motion and the vote was unanimous. The meeting adjourned at approximately 10:45 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 February 16, 2010. Minutes were formally approved and adopted by the Financial Review Board on March 2, 2010.



Joseph M. Safford, Director of Finance