

# FINANCIAL REVIEW BOARD - MEETING MINUTES

MARCH 02, 2010

CITY HALL – FIRST FLOOR CONFERENCE ROOM  
100 NW 1<sup>ST</sup> AVENUE DELRAY BEACH, FL

## 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  
Todd L'Herrou, Vice Chairman  
Yvonne Walker  
Christina Morrison Pearce  
Brenda Durden  
Rosalie Blood (Alternate)

### MEMBERS ABSENT:

Jack Warner  
Robert Moore  
Warren Trilling (Alternate)

### STAFF PRESENT:

Joseph Safford, Finance Director  
Barbara Flynn, Board Liaison  
Lisa Herrmann, Budget Officer  
Rich Reade, Sustainability Officer

## Item 3. Approval of Agenda

Mr. Ellingsworth asked for approval of the March 2, 2010 Agenda. Ms. Pearce motioned to remove item 6B from the Agenda; Waste Management update on business policies, due to the fact that information was not provided to the Board for this meeting. This item will be added to an upcoming agenda. Motion to approve Agenda 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 19, 2010. Ms. Pearce motioned to approve pending discussion. Ms. Durden seconded. There was a request for a copy of the revised minutes of February 2<sup>nd</sup> meeting. Discussion included comments and questions on the content of the February 19<sup>th</sup> minutes and a few minor changes in the wording were made. Motion passed unanimously to approve the revised minutes.

## Item 5. Public Comment

Mr. Ellingsworth welcomed the presentation by Ron Beesley; Battalion Chief of Palm Beach County Fire Rescue, Regional Union Representative for the Fire Fighters. Parties present for this presentation included A.J O'Laughlin of PBC Fire Department, and representing the City of Delray Beach Fire Department – Retired Fire Chief Kerry Koen, Lt. James Tabeek, Battalion Chief Danielle Connor and Asst. Chief J. Tomaszewski. Chief Beesley provided a hardcopy of his presentation to the Board.

Chief Beesley's presentation was about a diversification of funding for Fire Rescue services. Legislator's goal was to reduce ad-valorem taxes in which there were several proposals. The law was changed in 2007 and basically the local municipalities funding was cut ranging from 0% to 9%. Palm Beach County Fire Fighters tried to lobby some changes in that reform. The majority of fire rescue services Statewide were all funded by ad-valorem taxes which were reduced while the activities of the rescue services increased. They presented a solution to the State recommending to diversify the income source in a revenue neutral fashion and to implement 1% surtax on sales that would come to the City for Fire Rescue services, with a counter reduction in ad-valorem. Sales tax is reported countywide and it is allocated by a percentage of the population. The responsibility to develop the inter-local agreement on distribution rests on the County, which is being drafted now with considerations provided by this Union. If the referendum is passed in 2010 it will go into effect January 2011 and at that time they can go over the details of how the collections will work. He explained the budget process as being – the City determines it's operating budget, determines valuation, sets proposed maximum millage rate, posts TRIM notices, sets the final millage rate and then applies the surtax rebate and collects actual remaining taxes. A detailed spreadsheet also supplied representing the dollar amounts on FY budgets per C.A.F.R. yearly from 2005 to present, with averages, and the Countywide Surtax 1% totals (proposed) for all Palm Beach County cities. This is basically a swap of tax money to come off the burden of the local tax payers and shift it to

local and tourism income in sales taxes. It may go to the cities for their Commission Agendas and if this referendum is passed it will be on the ballot for public vote possibly in August.

Discussion followed with questions from Mr. Safford and Board members to Chief Beesley, and the presentation concluded.

### **Item 6. New Handout Material**

Mr. Safford provided the Board with several handouts including: Agenda, updated Board Member Contact list, Waste Management responses to questions posed to them by a private citizen which lead to discussion:

Mr. Ellingsworth asked for Rich Reade to clarify if the franchise fee the City has been receiving, is complete and accurate. Mr. Reade feels the conclusions have not yet been made. He went over some of the areas that may *indicate* discrepancies, such as a rounding issue on dollar amounts. Also, in our ordinances *every* different rate structure is not specifically spelled out in the ordinance, because there are so many options. Some changes may be made to the ordinances on how these calculations are made, which in effect will result in recommendations to create addendums to the contract with Waste Management. This study may very well *not* result in a finding of any shortfall in fees paid. Exact numbers may be difficult to achieve, however a reasonable assurance that a proper amount of franchise fees can be certainly be agreed upon.

An additional handout was distributed for review on yearly maintenance costs for City owned properties for the departments of Public Works and Parks Maintenance.

### **Item 7. Open Issues**

#### **a) Mr. Warner's update on revenue by department business process**

Mr. Warner was not present for this meeting but provided documentation, so Mr. Ellingsworth briefly explained the documents and decided to move on to the next Agenda item for discussion when Mr. Warner is present. Mr. Safford explained the process - which was part of Mr. Warner's recommendation, in creating sub-committees; the gathering of two or more Board members would still have to be noticed as a public meeting with minutes taken.

#### **b) Pension Program Alternatives**

Mr. Safford explained the City Manager advised him that he is ready to have a discussion with our pension Attorney, our Actuary (GRS) and Mr. Safford on this issue. He recommended deferring this item until after that meeting. The Board agreed to move to the next Agenda item.

#### **c) Letter from Mr. Ellingsworth to Commission on the Waste Management analysis.**

Mr. Ellingsworth stated he was going to write a letter, he did instead speak with the Mayor. He wanted to make it clear the Board will not be doing a separate audit or analysis of the WM issues. The City staff is already doing a physical count of the units and he wants the City staff process to continue - once all of the data is collected the Board will review the data and make a conclusion to determine if the charges are accurate. They may also address any shortfalls in the addendum to the contracts and form recommendations based on the data provided by City staff.

Mr. L'Herrou stated the City fails in its designing of contracts to consider its own interests. There is no systematic evaluation of contracts before they are put into place. The City Attorney's evaluation of contracts is around the legal issues, but it they are not reviewed for outcomes, costs and long term implications. Mr. Ellingsworth noted the Budget Task Force had recommended the City consider an individual (City employed) to review the contracts, and to do some kind of internal audit for compliance.

#### **d) Information on the maintenance costs of City owned properties**

The information (handouts from Public Works and Parks Maintenance) was requested based on a discussion of the CRA's contribution to the City - and could they possibly purchase a City owned property. If the CRA owned the property it would also be their responsibility to maintain it. The Board will review the handouts provided on maintenance costs and Mr. Ellingsworth will also look into the legalities of such a recommendation; selling property to the CRA.

### **Item 8. New Business and Open Discussion**

- 1) Mr. McNamee has requested that he be appointed as a designee to perform audit procedures with Waste Management. Mr. Ellingsworth's concern is there needs to be a written audit plan submitted in advance. Mr. Reade

stated legally, within 24 hours of a written request, a designee of the City can look at the current year and the most previous year. Mr. Safford stated if the word "audit" is used, an audit must be done by a currently licensed CPA.

Ms. Pearce asked if a copy of the current contract could be provided to the Board. Mr. Ellingsworth stated the Commission wishes the Board to make a determination based on the information provided whether #1.) The City has been paid their full amount of franchise fees #2.) Overcharged for residential services from WM. He feels they are not to be involved in interpreting a legal document such as the contract. A concern is how much time - overtime included, should the City spend (tax payers money) to comply to one residents request. Mr. Reade suggested a Board member be invited to the Solid Waste Employee Work Group to participate as the liaison, to be part of the process and to bring information to the other members of the Board. Mr. Safford also offered for a Board member to come review all of his spreadsheets; work that has already been done on the commercial side, and to take the residential units as a separate issue. The conclusion was to wait for all of the data, possibly have a special meeting to form recommendations.

Mr. L'Herrou stated that assigning the liaison position to Mr. McNamee may be harmful to the City's relationship with Waste Management, and may not be an advised approach. Ms. Pearce suggested a more neutral representative. Mr. Ellingsworth will forward a recommendation to the Mayor that it is not appropriate at this time to have *anyone* step in to start an audit until the Board and the Employee Work Group has finished their efforts; it is premature to send any designee. Ms. Durden also felt we are already in the process and the process should be completed as is - and if at any point there is a need to appoint another designee (other than Mr. Reade) to go to Waste Management to make that recommendation when the time comes.

Mr. L'Herrou motioned that at this time the Board recommends the City Commission not appoint a specific designee until all of the current processes are completed. Only at that time consider appointing a designee - if it is warranted based on the evaluated facts. Ms. Pearce seconded the motion with discussion. She asked to quantify a timeline the Board can expect the process to be completed. Mr. L'Herrou agreed to addend the motion to include a recommendation to the City Commission - which this issue be presented to the City Commission meeting on the first Tuesday of May (May 4<sup>th</sup>, 2010) and no earlier than that. Motion amended and passed unanimously.

- 2) Mr. L'Herrou brought up an earlier discussion concerning various departments that may have already insight on cuts they could make if they needed to make them. Part of the recommendation to the City Commission - to set a spending target - was to encourage departments to perform the budget process in an efficient way. Some larger departments conveyed they do have ideas on possible cuts; however they are reluctant to do so without direction from the City Manager. There was some discussion as to whether the City Commission has made a determination to accept the recommendation of setting a spending target. Mr. Ellingsworth suggested after the March 17<sup>th</sup> budget meeting with the City Manager Mr. Safford report to the Board, which may clarify how the Manager will present budget guidance to departments.
- 3) Ms. Pearce suggested surveying the employees for cost savings ideas to be distributed with the payroll to all employees. Mr. Ellingsworth asked her to create a document to be used as the survey. Also she asked if we could get all of the fees that the City charges (i.e. the skating park) how those fees are determined and if they are comparable to other cities. Mr. Ellingsworth asked her to identify the fee based revenues she would like to review and bring both documents to the next meeting.
- 4) Ms. Pearce spoke about comparisons from other cities. There is data on what cities of similar size, population and characteristics, on the percentage of their revenues (tax dollars) goes to Police, Fire, Administration, Parks and Recreation, etc. Ms. Walker agreed to do a comparative analysis of percentage spending for departments of other cities to bring to the next meeting.
- 5) Ms. Pearce asked if there is a legacy impact analysis for each new program that is in effect on what the income expense of its operational costs will be for several years out. For instance when we add a new parking garage we know today's cost, do we know what it costs the following years. Ms. Walker was responsible for the Capital Improvement Program where the departments were to supply not only the capital cost of the project but the operating cost impacts. Mr. Ellingsworth stated the Budget Task Force made a formal recommendation to the Commission that before they approve any Capital Improvement they must provide projected data on costs. To do so is part of the process as well as identifying the revenue sources. The Board decided to further address the projection of operating

costs on projects such as insurance and maintenance. Mr. L'Herrou volunteered to take this project for the next meeting.

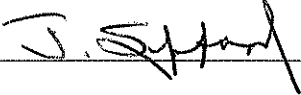
6) Agenda items for next meeting:

- a.) Sample of the questionnaire for the employee survey on cost savings ideas. (Ms. Pearce)
- b.) Identify fees generating revenue, and how they are developed. (Ms. Pearce)
- c.) Comparison analysis on other cities - the percentage of total budget spent supporting departments. (Ms. Walker)
- d.) Construction funding for ongoing maintenance costs generated by Capital Improvement Projects. (Mr. L'Herrou)
- e.) Update on franchise fee analysis and business policies provided by Mr. Reade
- f.) Revenue by department; Business Process. (Mr. Warner)

**Item 9. Adjournment**

Ms. Pearce motioned to adjourn the meeting seconded by Ms. Durden 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 are the minutes of the City of Delray Beach Financial Review Board of March 2, 2010. Minutes were formally approved and adopted by the Financial Review Board on March 16, 2010.



Joseph M. Safford, Director of Finance