

FINANCIAL REVIEW BOARD – MEETING MINUTES

APRIL 26, 2011

434 S. SWINTON AVENUE, DELRAY BEACH, FL

Item 1. Call to Order

The Chairman of the Board, Mr. Howard Ellingsworth called the meeting to order at 8:35 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Howard Ellingsworth, Chairman
Christina Morrison Pearce
Luise Piane
Rosalie Blood
Jeff Ritter
John (Jack) Hallahan

MEMBERS ABSENT:

Peter Arts (Resigned)
Cheryl Shaffner (Alternate)
Martin Cherry
Alexander Simon

STAFF & GUESTS PRESENT:

David A. Boyd, Finance Director
Rebecca O'Connor, Treasurer
Barbara J. Flynn, Exec./Tech. Asst.

Item 3. Approval of Agenda-

Mr. Ellingsworth asked for approval of April 26, 2011 agenda. Mr. Ellingsworth added B1) Appoint new Chairman. Ms. Pearce added under new business discuss Worthing Park issue. Ms. Piani moved to approve the agenda, with changes, seconded by Ms. Pearce. Said motion passed unanimously.

Item 4. Approval of Minutes -

Approval of Minutes of Meeting of March 22, 2011 - Motioned to approve by Ms. Blood, seconded by Ms. Piani. Said motion passed.

Item 5. Public Comment – No public comments

Item 6. Handouts –

- 1.) Mr. Ellingsworth provided the Delray Beach Police - Patrol Data Analysis prepared by ICMA.
- 2.) Ms. Pearce provided a revised report on Parks and Recreation as well as a written response from the City Manager.
- 3.) Mr. Boyd provided the Financial Report for February.
- 4.) Cemetery information

Item 7. Open Issues-

A.) INTRODUCE NEW MEMBERS:

1.) Jeff Ritter is originally from N.Y. and has been a resident of Delray Beach for thirteen (13) years. He is a professor teaching business and health care at local universities. He also has a consulting and insurance practice.

2.) John (Jack) Hallahan is a retired professional mechanical engineer. He has a degree in marketing from Barry University and an MBA and MSHRM from Nova.

B1.) APPOINT NEW BOARD CHAIRMAN:

Mr. Ellingsworth chose to step down as Chairman and recommended appointing Ms. Christina Morrison Pearce as the new Chairman of the Board. A motion was made by Ms. Piani, seconded by Mr. Hallahan. Said motion passed unanimously. Ms. Pearce will preside over the remainder of the meeting as Chairman.

B2.) APPOINT NEW BOARD VICE CHAIRMAN:

Mr. Ellingsworth motioned to appoint Ms. Rosalie Blood as Vice Chairman, seconded by Ms. Piani. Said motion passed unanimously.

C.) FINANCIAL REPORT:

Ms. O'Connor explained the Financial Report:

Revenues at this time are predicted at \$1.2 million shortfall. The revenues hit the hardest are generated by FPL services. Franchise fees on electric are down approximately 15% from prior year. Utility taxes are down approximately 6%. Other service taxes on communications / cable and services for sponsorship relative to MatchPoint (tennis tournaments) are also down.

Expenses we are down approximately 1.5% due to some changes to Union contracts not agreed to or implemented. Fire Department agreed to give \$125,000 by reducing pension costs to the City. They have also given up two days of pay. VEBA (Voluntary Employees Beneficiary Association) is a tax free post-retirement medical account for retirees to pay for eligible medical expenses (public safety) the City pays for. Projected at this time attrition through September 30, 2011 of approximately \$800,000.00. Net budget shortfall approximately of \$2.6 million.

Prior year surplus brought forward was \$1.6 million. At year end we will see approximately \$4.5 million shortfall. Mr. Harden, City Manager is currently reviewing options to balance the budget. Ms. O'Connor explained how it works when the prior year surplus is brought forward.

Mr. Ellingsworth commented on the fact that we signed a \$350,000 a year contract for twenty (20) years for tennis tournaments when we are looking at a projected operating deficit of \$4.5 million.

Mr. Hallahan asked about prior year encumbrances. Ms. O'Connor explained they are essentially carry-overs from year to year, so they encumber those funds. Last year was the first time we brought forward surplus. If it is not brought forward for the next year's budget it is retained as surplus. Mr. Boyd explained you build your unreserved fund balance which is an indicator of financial health. Ms. O'Connor stated we currently have an unreserved fund balance of \$25 million. We look at a percentage of the budget to keep in this fund; the policy is to keep between 20% – 25% of the budget as unreserved.

Mr. Ellingsworth asked about sales tax revenues and Ms. O'Connor stated they are up. This is population based incoming from the State. Mr. Ellingsworth stated the City Manager had expected \$1million reduction from the General Employees and \$1million from Police and Fire pensions. The General Employees pension was reduced, but so far no reduction in Police and Fire. Ms. O'Connor briefly discussed other funds. Prior Bond issues are mostly spent, they are reported until depleted. The Board discussed the decision process on spending Bond monies for intended use as well as any leftover funds.

Ms. Pearce inquired about the Internal Services Fund in the financial report. It shows the Garage Fund with a net income of \$1.12 million and over budget by \$346,000. Ms. O'Connor explained prior year surplus was brought forward for the current year to fund a Capital item. All Capital is spent below the net income line. She explained Mr. Harden will be reviewing the mid-year budget and make decisions. Ultimately the final decisions come from the City Commission.

The Board discussed the new system of EMS billing which was brought back in-house. Collections were down when it was contracted out. They are in the process and making advancement, however it is difficult to project the balance for uncollected funds at this time. The Board will request an update from the Fire Department at the next meeting, perhaps an aging report with outstanding current collections vs. one year ago.

Discuss Health Care Clinic: (Part of Financial Report)

Mr. Boyd stated generally it take two to three years to see the savings as a result of having the Clinic. They just implemented mandatory wellness care through the Clinic for employees if they wish to receive up to 20% savings in insurance costs. If they want to take advantage to the current rate they will need to get blood drawn at the wellness center (-10%) and a nicotine test (-10% for non smokers). There will be surcharges (+20%) if you do not participate in either (effective June 1st). We have brought in another company Mr. Boyd had used in the past that helped reduce health care costs every year. Long term the Clinic will cut our costs. When it is time for renewal for health care, they factor in not only your internal claims and also the national trend. Ms. O'Connor stated the health care costs to the City have gone up 35%. Mr. Boyd recently met with the broker, to discuss how to maintain or cut costs while providing good benefits for employees. Ms. O'Connor stated our premium fees for this year are approximately \$1.8 million so the 35% equates to \$600,000.

Ms. Pearce asked if the City is being proactive in raising deductibles, etc. to reduce costs. Mr. Boyd explained they shifted a lot of costs this year back to the employees. He explained some of the current plans, one being an HRA – for single coverage the City puts \$750.00 annually in your account and you are responsible for the next \$2,000 - \$2,500, with a total out of pocket of \$6,000 to \$8,000. There are two other plans Mr. Hallahan ran the wellness plan for the company he worked for. Preventative maintenance was the attraction, and they brought in speakers from local hospitals on a regular basis to address medical problems. Rewards were offered for weight reduction, and they provided informational brochures on all health issues. They found it successful to recognize how you can get in trouble and offer preventive measures to reduce injuries, and educated employees. Mr. Boyd agreed that our Human Resources does do similar things; teaching how to lift properly, etc. Ms. O'Connor said they also offer hourly lectures on various health subjects. Our Risk Management department has a Safety Officer watching out for safety issues.

Mr. Ritter agreed with Mr. Hallahan in that employee education is critical. The employees also need to understand the true cost to the City of health care. The broker has an obligation to provide data and recommendations on an ongoing basis. When a 35% rate hike comes it should be well expected, so the City is prepared.

Ms. Pearce asked about smokers and Mr. Boyd stated starting June 1st the smokers will have three months to quit or they will pay a 10% higher premium. Ms. Pearce asked if there is a weight loss incentive. Mr. Boyd stated it depends on risk factors resulting from the blood test, not weight itself. If they are found to have risk factors they are rewarded for taking care of those issues. They can consult with the medical professionals and use preventative measures such as exercise and diet to reduce those factors then they are rewarded with lower premiums.

Mr. Ritter suggests talking with the broker to potentially have a local medical director discuss disease management. The plan should include a disease management component. When leading indicators are found the importance of prevention, wellness and

proper care should be emphasized to the employees. There also needs to be a fundamental shift in thinking about the responsibilities of costs; Employees need to care about the costs to the City.

Ms. Pearce asked for Mr. Ritter to review the current health care plans and make recommendations. Mr. Ritter agreed to meet with the parties involved and report back to the Board within two months.

Ms. Pearce advised the new members that they need to abide by the Sunshine Law and provided details on the law.

D.) PARKS AND RECREATION DEPARTMENTAL ANALYSIS:

Ms. Pearce provided her updated recommendations for the Parks and Recreation Department for approval of the Board. The Board discussed the memo from the City Manager. When analyzing the PK budget it appears to be 14% of the City budget. The City Manager noted that the tennis costs are added into that line item, and removing the tennis costs from the Parks and Recreation budget reduces it to actually 10% of the budget. This report is excellent however; the maintenance and contract inclusion needs to be acknowledged in the report. They discussed the fact that these costs (at least the contract costs) should be separated for more accurate Parks and Recreation budget totals. The report will be revised and discussed for approval at the next meeting.

E.) DISCUSS POLICE DISPATCH DATA ANALYSIS:

Ms. O'Connor stated compared to other municipalities (national average) as far as allocating staff to the appropriate need our down time is higher. This item will be provided as a handout the Board will review and discuss in detail at the next meeting.

F.) CEMETERY PROCEDURES UPDATE:

The Board addressed several issues such as inventory and collections. Ms. Pearce received information from the City Clerk on current records. The cemetery is managed jointly between Parks and Recreation and the City Clerk's Office. A member will be asked to assume this analysis. Mr. Ellingsworth and Ms. Pearce went over some of the detail the Board has been looking into so far. Mr. Hallahan volunteered to take on this assignment and the Board will request the City Clerk attend our next meeting.

Item 8. New Business and Open Discussion-

A.) TENNIS CONTRACT – Mr. Ellingsworth received validation from Ms. O'Connor that we entered into a nineteen (19) year agreement which is non-cancellable. Mr. Ellingsworth spoke about the sponsorships and revenue back to the City which is none. To enter into a non-cancellable contract in the opinion of members of the previous Budget Task Force's was irresponsible. He feels that the Financial Review Board should have been included in the process. Items the Board would have recommended prior to the contract being signed: Economic impact studies should be done and the promoter should be required to raise minimum sponsorships. It equates to 2% of our City budget for a one week event when we have a \$4.5 million dollar projected deficit. Better terms should have been negotiated. He does understand the image created for Delray to be one of the premier Tennis Centers in the area.

Ms. O'Connor stated we do get attendance figures as well as media coverage times, as well as "live" media. She does have the ability to also get sponsorship amounts.

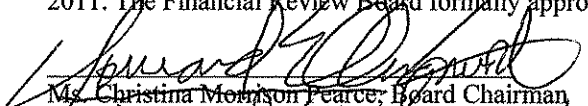
Ms. Pearce suggested assigning the contract to a downtown agency if the main goal is to promote the downtown area, so it will not be paid for by all of the taxpayers of Delray Beach.

B.) WORTHING PLACE – Ms. Pearce discussed an issue with a pending issue the City Commission is reviewing to give Worthing Place Apartments exclusive use of a portion of Worthing Park (24,000 sq. ft area) for outdoor seating for new restaurants. They would not be charged for rent, but they will pay \$4.50 a foot, same as the other restaurants pay for use of the sidewalks on Atlantic Avenue. Her concern of giving part of a City park away without additional fees is setting a precedent for other developers. The next park the same developer is involved as an advisor is Veteran's Park (Atlantic Plaza). It is \$285,000 the City is budgeted for Worthing Park and approximately 20% will then be assigned (not deeded) for private use by the restaurants. She stated this is another expense the City is paying in the budget that is now going to directly benefit a developer, as well as setting a precedent. After further discussion, the Board feels this will bring in revenue but will review the terms of the agreement.

C.) UPCOMING AGENDA ITEMS – CEMETERY ANALYSIS, CLARIFICATION ON PARKS (TENNIS) BUDGET, EMS BILLING UPDATES, POLICE DISPATCH ANALYSIS.

Item 9. Adjournment -

Ms. Blood motioned to adjourn the meeting seconded by Ms. Piani. Said motion passed unanimously. The meeting adjourned at approximately 10:15 a.m. The undersigned is the Chairman of the Financial Review Board. The information provided herein - Minutes of City of Delray Beach Financial Review Board - Meeting of April 26, 2011. The Financial Review Board formally approved these minutes on May 10, 2011.


~~Ms. Christina Morrison Pearce, Board Chairman~~

W. Howard Ellingsworth