

BUDGET TASK FORCE

Minutes of July 1, 2008

Item 1. Call to Order/Roll Call:

Meeting was called to order by Chairperson Franklin Wheat at 8:30 a.m.

Members Present: Vincent Dole, Todd L'Herrou, Robert Moore, James Smith and Franklin Wheat
Members Absent: Peter Arts, Howard Ellingsworth, Steven Janssen and Alexander Simon,
Guests Present: Lisa Herrmann, Becky O'Connor, Joseph Safford, Karen Schell, Richard Ackerman and Kevin Warner

Item 2. Approval of the agenda:

Mr. Wheat amended the agenda to add under Item 2, a request for recognizing comments from the public. (2 minute limitation) Mr. Smith moved to approve the July 1, 2008 agenda as amended, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Comments from the Public:

None.

Item 4. Approval of the Budget Task Force Minutes for June 17, 2008:

Mr. L'Herrou indicated on page 5, referencing the motion on competitive events, he attempted to have discussion, therefore he did not vote on this matter. Mr. L'Herrou requested this be changed as him abstaining. Mr. Dole moved to approve the July 17, 2008 minutes as amended, seconded by Mr. Smith. Said motion passed unanimously.

Item 5. Review of new handout material:

Mr. Safford indicated the City Manager would like a second interim report presented to the City Commission at their workshop next week Tuesday, July 8, 2008. A review of the report as it presently stands is as follows:

The **Executive Summary** section was updated to add the category of Employee Suggestions. As the Budget Task Force is gaining notoriety with employees, we have been receiving calls and having conversations with employees for cost cutting/revenue suggestions.

Mr. Safford pointed out several decisions made by previous City Commissions have locked the City into significant **long-term costs** that in most cases cannot be reversed. Examples are as follows:

1. The decision to execute a 25-year contract with Match Point for the ATP Tennis Tournament costing the City an estimated \$2 million per year; this agreement has CPI escalation clauses each year. These costs are not offset with any direct revenues to the General Fund from the event. This cost represents approximately 2% of the General Fund budget.

Mr. Safford explained the only possible way out of this contract would be if Match Point decided to move elsewhere and sell the event. Not only are we locked out of this, but there are items we must comply with in addition to the cost of the event. The entire Tennis Center Operation and all courts in addition to the stadium must be kept up to ATP standards.

2. The decision to provide a 3.5% per year of service multiplier to Police and Fire retirees with the cost of the conversion of all past service of active employees to this multiplier absorbed by the City.

In 2003 Police and Fire employees received a 3% multiplier. An employee with 20 years of service multiplied by 3% received 60% of average monthly earnings. The City changed their multiplier to 3.5%, absorbing the

historical cost of changing all past service of active Police and Fire employees to 3.5%; this lead to a jump in unfunded liability of \$23 million (versus \$9 million) in one year. We need to stress the importance to City Commission before these decisions are made, a cost benefit analysis should be completed to illustrate the long term impact.

3. The decision to provide a Police take-home vehicle program. This was done to remain competitive with the Palm Beach County Sheriff's Department.

Upon completion of the academy and training of newly employed Police Officers they would leave the City for employment with the Sherriff's Department as they offered a better benefit package. (Take home vehicle, no contributions to their pension plan, bonus pays and higher pay range.) One solution for the City was the take home vehicle program. Factors overlooked might have been each vehicle has a computer, special lights, sirens and so forth. When ordering 100 vehicles, costs are high. A big impact will be felt years later when 25-30 vehicles come up for replacement at a cost of \$30,000 plus.

Mr. L'Herrou commented in reviewing long term contracts perhaps the Task Force should make a recommendation to City Commission to have a process in place for an extended outlook of impact on costs. During the Commission Workshop of the first interim report, Commissioners voted on three to five items having great costs to the City with long terms.

Mr. Safford commented some municipalities have a finance committee where items having long term implications are researched by completing a cost benefit analysis which is then presented to the City Commission. In Delray, individual departments prepare their own agenda items through the City Manager.

Mr. Dole supports Mr. L'Herrou; many of these decisions were made when revenue was increasing as fast as the expenses. At that time it didn't seem important to have such a mechanism in place. As that is no longer the case, a new approach to spending money is required. Perhaps the Commissioners have not thought about that. Mr. Dole feels a specific recommendation on the Task Force's part to have some mechanism in place is good.

Mr. L'Herrou requested Mr. Safford to frame some language based on the Task Force's thoughts and discuss this item at a future meeting. Further thought needs to be discussed before making a final decision.

Employee suggestions are as follows:

1. Consider using auction vehicles for Police volunteers in lieu of leasing new vehicles.

There are approximately 14 vehicles leased for volunteers who patrol neighborhoods. An employee has seen the conditions of vehicles prepared for auction are in very nice shape. They may have a somewhat smaller mechanical problem or questionable mileage; however, could these vehicles possibly be used for volunteers in lieu of leasing new vehicles. Further research would need to be completed.

2. Consider a local auction in lieu of using Palm Beach County. Possible use of the Old School Square parking garage as staging area.

Previously the City held their auction which was successful however the site has since been sold and we are now going through the Palm Beach County auction. An employee indicated since we've gone through Palm Beach County, the City doesn't seem to be receiving the same amount of revenue as previously. Perhaps if the City was to use Old School Square parking garage as a staging area we could bring the auction back to the City.

3. Consider using on-line auction site for vehicles and equipment. Police vehicles could be auctioned to other Police Departments eliminating the need to strip the back seat replacement, prisoner cages, lights and sirens.

An employee commented why hold vehicles for a year or six months waiting for an auction. There are governmental sites for government equipment where the City could list items anytime and all day on an on-line auction. One highlight is an example of a police vehicle with special equipment taking off and on; should another governmental agency purchase this vehicle, there would be less time and work involved in removing

and replacing the special equipment. A benefit of the on-line auction is the City does not have to deliver the vehicle; the purchaser is responsible for picking it up.

Mr. Moore commented it's a wonderful experience that employees care enough to make suggestions and ought to encourage this as much as possible. The Task Force should not second guess the recommendation(s) and accept them as they are.

Mr. Dole added the Task Force may consider passing those employee's suggestions as received without filtering. It might be interesting for the City commission to know this is happening. This is a very exciting development.

4. Fax confirming purchase orders over \$1,000 in lieu of mailing to vendors.
5. Print in-house change orders on regular paper and attach to original purchase order in lieu of printing change on prep-printed purchase order forms.

Mr. Safford indicated there is an employee suggestion program. The employee is eligible to turn in a suggestion and possibly receive an award.

Further discussion pursued as to the employee's name being recognized for their suggestion(s).

Medical plan premium contributions. Currently the City has three health plans; the HMO, POS and PPO. The POS and the PPO plans have employee contributions to their premiums along with covering their dependents' premium; the City covers 100% of the HMO premiums for an employee. (HMO represents roughly 87% of medical enrollment units.) Over 50% of these employees have annual physicals at the Fire Clinic which are paid 100% by the City through the clinic costs. Employees pay no office visit or co-pay payments for this service; the City contributes 3.3% of active Police and Fire base pay to the Retiree Health Trust; and per State Statutes, the City is required to pay 100% of costs for any heart or lung disorder for Police and Fire employees under worker's compensation.

Mr. Safford indicated the recommendation here would be an HMO contribution by the employees of \$10.00.

Mr. Smith questioned the need to increase the POS premium of \$29.71.

The **retiree health insurance fund (VEBA)** started with the Fire Department in 2002. The Fire Union gave up a 2% raise in exchange for a 3.3% contribution to the VEBA (retiree health trust). The table illustrates a contribution of \$212,186 in 2002 and a current contribution of \$338,520. In 2006 the Police Department joined this retiree health trust receiving a 3.3% contribution; however, they did not forfeit a 2% raise. Mr. Safford commented this is another item tied to a percentage of pay as opposed to a fixed number. The only savings to the City was FICA (7.65%). Employees saved payroll taxes, FICA taxes and they made no pension contribution. Recommendation is to stop the escalation cost by funding it at 2% when it originally started and fix the figure for all future years.

In response to Mr. Dole's question of who the City's representative is for the negotiations; Mr. Safford responded the Human Resource Director. The City Manager and City Commissioner have the final say on any contracts that are passed.

The **Medical Professional Services** was discussed at the last meeting with some confusion. Mr. Safford explained further that the Insurance Fund pays for the cost of insurance premiums. The Police and Fire Departments and Life Guards pay for the clinic costs. Employees' physicals by the clinic are not being claimed under the health plan, but through the departments. The departments are budgeting for the health insurance premiums and the clinic costs. The clinic costs should be take out of the departments and moved to the Insurance Fund applied as a claims cost against premiums.

At this time there are no recommendations for the **Tennis Stadium Operations and Tennis Center Operations**. The Tennis Center has offsetting revenue. The Tennis Stadium has no revenue of any magnitude to the City; but may for the downtown businesses. In addition to the sponsorship fee(s), the City is obligated to provide numerous items as listed in the report. The Tennis Center Operations illustrates revenues of \$637,610.00 and expenses of \$1,141,533.00 resulting in a loss of \$503,923.00. Mr. Safford indicated many of these costs are predicated on the fact we have to follow the ATP contract.

Take home vehicles is currently being researched.

Mr. Wheat indicated Mr. Ellingsworth wanted further discussion on **Competition Events**. It was suggested the Police and Fire Departments might pursue some fund raising with a possible match from the City.

Mr. Safford indicated several employees agree the **SPIRIT program** costs are unnecessary. There were a few instances City Commissioners came into contact with City employees who lacked proper customer service skills, thereby instituting this program.

Mr. Wheat commented a certain number of City employees have no contact with the public at all.

Mr. L'Herrou agreed indicating he has conversed with numerous City employees and feel the same with the exception of a few supervisors who like the idea of the gift certificate card bonus.

Mr. Safford commented prior to the SPIRIT program, the City had the ability to do spot bonuses.

Mr. Smith commented he never really thought there was need for this program to begin with. With all of the contacts that he has had with the City, he has never known an employee group more professional, courteous, and quicker with responding to requests than the City employees of Delray Beach.

Mr. Safford indicated the **Police/Fire Pension costs** will be a high profile item. This is an area where by law one cannot change any past service. It has been suggested several times to turn the Police and Fire Departments over to the Florida Retirement System; this would not be beneficial to employees. The Police and Fire fringe benefit currently sits at 60%. In 1996, the City's contribution was \$1.3 million (12.75% of payroll); currently \$5.6 million (37.03% of payroll). In 1999 this pension plan had a \$3.3 million surplus; currently there is a \$40 million deficit, a funded ratio of 69.6%. Part of this deficit is the benefit package given on the 3.5% multiplier where the City picked up the entire cost of all previous years; the investment losses incurred the last several years; and the salaries given out on an actual basis have been in excess of their actuarial assumptions. One recommendation at this time would be to change the multiplier from 3.5% to 3.0% for all future employees resulting in an approximate 3% reduction of payroll.

Item 6. Review of previous handout material:

Mr. Safford indicated the Task Force questioned the expense recapture for police hiring and training. Further backup documentation illustrates the necessary procedures and costs to reimburse expenses incurred should a Police Officer leave prior to three years of service.

To date there are a few outstanding expenses; in some cases we have been successful in recapturing these moneys and others not.

The Task Force requested further documentation on the overtime rotation procedures. Further backup documentation illustrates both the Police and Fire Department follow an overtime wheel procedure highly enforced.

A list of current software programs/packages the City uses was distributed to Task Force members. The open access system is not used as the Microsoft Office products would not allow one to open different programs forwarded by e-mail. In conversing with a high level individual at Office Depot they indicated they could not rely on it either; it's free but not supported. Mr. Safford indicated Microsoft has significantly changed their rate structures where costs have been decreased for several years for software agreements and equipment licensing.

At the last meeting the request for a 5%, 10% and 15% cut in budget was dropped as departments turned in their detailed budgets for the year with their recommendations. However a handout illustrating the Fire Department's plan for their budget reduction was distributed. A brief discussion pursued.

Item 7. Other Business:

Mr. Smith moved to approve a blanket approval for the recommendations presented in the second interim report for the City Commission Workshop, seconded by Mr. Dole.

It was further discussed to amend the competition events in that rather than eliminating these events completely, the City provide capped matching funds of moneys raised by employees who wish to participate in those events

Mr. Safford commented this is a draft report and can be accepted as to have an approved document by the entire Task Force go before the City Commission Workshop. Modifications can be made down the road; however, changes made at this time would not be approved before this next interim report before City Commission.

Said motion failed unanimously.

Mr. Smith requested when information comes back to the Task Force at the next meeting would Mr. Safford illustrate both the revenues and expenditures for reviewing of net figures.

Mr. Dole moved that the package as presented and discussed today be formally approved and presented to the City Commission at the upcoming workshop, seconded by Mr. Moore. Said motion passed unanimously.

Mr. Wheat discussed the extension of the Budget Task Force whereas all members were to contact the City Clerk's office or the City Manager with their intention of continuing on the Task Force. Members who have not responded to date are Mr. Ellingsworth, Mr. L'Herrou and Mr. Simon.

Mr. Safford requested if the Task Force would be willing to go from a bimonthly meeting to a monthly meeting to allow more time for lengthy research on items coming forth. Mr. Safford also feels it may not take a full year (possibly six months) to conclude the Task Force's duties

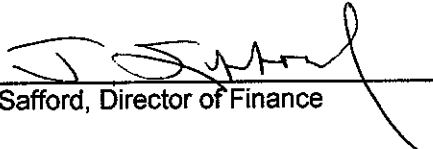
With this said, Mr. Dole indicated having meetings once per month may change his decision. He would rethink his decision.

Mr. Wheat requested notices be sent to all Task Force members that the consensus of the Board is to go to monthly meetings after July 15th on the third Tuesday of the month.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. L'Herrou. Said motion passed unanimously. The meeting adjourned at approximately 10:42 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 July 1, 2008, which minutes were formally approved and adopted by the Budget Task Force on July 15th, 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