

FINANCIAL REVIEW BOARD - MEETING MINUTES

TUESDAY - DECEMBER 15, 2009, 8:30A.M.

Parks & Recreation COMMUNITY CENTER

Item 1. Call to Order

The meeting was called to order by the Chairman of the Board, Mr. Howard Ellingsworth at 8:30 A.M.

Item 2. Roll call

MEMBERS PRESENT:

Howard Ellingsworth-Chairman
Todd L'Herrou- Vice Chairman
Brenda Durden
Christina Morrison Pearce
Yvonne Walker
Jack Warner
Helena Antunes-Boska
Rosalie Blood

MEMBERS ABSENT:

Robert Moore

STAFF PRESENT:

Joseph Safford
Barbara Flynn

Item 3. Approval of Minutes

Mr. Ellingsworth asked for an approval of the December 1, 2009 Minutes.

Ms. Christina Pearce motioned to approve, seconded by Jack Warner. Said motion was passed unanimously.

Item 4. New Handout Material

Mr. Safford provided the handout materials to the Board. The package included the Agenda, Minutes, meeting calendar, Revenue Budget for the General Fund with the actuals for 2007-2008, current actuals for 2009, Departmental requests, final approval by City Commission, and expenditures with the same captions. He pointed out that personal services (wages and benefits) representss over 60% of the total budget. Mr. Safford explained that we do have a detailed budget that breaks down expenses by line item..

Ms. Pearce asked Mr. Safford if there is any way to know what millage rate would be needed in order to maintain the present level of government cost for the City. Mr. Safford stated we did not have that number at this time but that he would calculate the figures for them. He clarified that a 10% to 12% decrease, if incurred, would create a five or six million dollar loss in tax revenues based upon our current valuations.

The Board discussed the various handouts and the time frames covered. Mr. Safford further explained in detail the handout materials.

Ms. Walker asked for a staffing analysis by position and department. Mr. Safford agreed to supply that information to the Board at the next meeting.

Mr. Ellingsworth noted that some of their suggestions may impact the mid-year budget adjustments (April, 2010) and asked the Board to look closely at each line item. Mr. Safford pointed out our expenditures last year were lower primarily due to vacant positions not being filled and reduced levels of overtime.

Ms. Rosalie Blood asked about contractual information such as health plans and retirement plans since these are planned well in advance and the decisions would need to be submitted prior to the renewals. Mr. Ellingsworth stated the Budget Task Force had given recommendations to the Commission, as far as contractual obligations. As an example, they recommended shorter term contracts. Mr. Safford listed some of the current contracts for the City such as union contracts, car rentals, maintenance of equipment and stated that the City has possibly as many as 100 different contracts.

Mr. Ellingsworth asked the Board if all of the handouts were understood. Mr. Warner asked how to relate the revenue line items to the expenditure line items. Mr. Safford explained that some are clearly related but it would

be difficult for other items such as property taxes, sales taxes, utility taxes or franchise fees to relate to a specific department. Mr. Safford explained some of the budget process beginning with the Finance Department providing guidelines and certain fixed cost and payroll and benefit data to the departments, then departments transmitting revenue and expense estimates back to the Finance Department. The City Manager and the Budget Administrator bring the revenue and expense estimates together into a draft budget.

Mr. Ellingsworth stated that likely no departments are entirely self-sufficient but if they are the Board would like to identify those Departments or Divisions. Mr. Safford said the Permitting Division's revenues will exceed their expenditures and that they are required to do so, and he would provide full information on other Departments to the Board.

Mr. Ellingsworth asked if there was industry information on "best practices" such as general administrative expenses in relation to the revenues, a percentage to compare to. Mr. Safford stated there are certain standards in performance that there may be ratio information available. Ms. Pearce asked for clarification on deleted items and if there are penalties that have been paid on ad-valorem taxes. Mr. Safford stated he does get a breakdown from the Property Appraisers Office, and that we do collect 99% of our tax roll so the delinquency rate is very small. In looking at the handouts, Ms. Pearce noted that there is a shortage in current ad-valorem taxes, franchise license permit fees and inter-governmental revenues from expected, but charges for Services, Miscellaneous Revenues are over Budget projections. Mr. Safford explained that we increased our fees and there may have been new revenue sources. Ms. Pearce noted that revenues for fines were down and was that due to a collection problem? Mr. Safford said there is a forecast for fines, forfeitures, medical transport fees, etc. and the accountants look into delinquencies. He explained that the Auditors will deem some old collectables as "not valid revenues" and may need to be written off which is a problem area. There are also donated assets (such as land) that Mr. Ellingsworth stated are added revenues although they are not a cash items. A subsequent review of this donated asset found it to be Police software that was donated.

Item 5. Open Issues

Mr. Ellingsworth went on to the discussion of the upcoming meeting with the City Commission. Mr. Safford stated that the City Commission has requested a meeting with the Financial Review Board on January 12, 2009 in order to discuss strategy, therefore the Board should start thinking about where they want to go, what to analyze, how they run their studies. He stated the Property Appraisers Office has advised that it appears property values will drop another 10% to 12% next year. Mr. Safford explained that if we maintained the same millage rate as last year it would mean a five or six million dollar loss to the City's revenues. There is a roll-up rate which is the increased millage rate that on an average would give the City the same revenue as last year. Anything less than that the City would have to find ways to balance the budget. He explained the general employees are in their second year of pay freezes and the union employees were still in negotiations and receiving raises. The union employee's wages could also be frozen once the negotiations were finalized.

Mr. L'Herrou spoke about the approach of looking at programs in a more detailed way than what is reflected in the handouts. The functions themselves need to be reviewed for example, the Education Coordinator and the beautification programs for highway medians. The Board may review if the goals of the original programs are being achieved, consider if we should continue with such programs, or if there are other programs that we may want to switch to. He recommended a system-wide approach along with reviewing budget numbers.

Mr. Ellingsworth asked if Mr. Safford could supply documentation on the current programs. Mr. Safford explained the detailed budget has each department broken down by programs and/or functions. However, the Board may need to call in Department Heads to describe in more detail the individual programs and the program performance.

Mr. Warner suggested that each member be supplied with a hardcopy of the 2009 Budget, where information regarding each program is inclusive such as a description of the program, what it was designed to accomplish, what the successes have been to date, what their objectives are for this year, the program specific revenues they anticipate, expenditures, and a staffing chart. He commented on the professionalism of the City's budget. Ms. Walker stated the Program Summary pages have that information and the Function Analysis Worksheet is also

included in the budget. Mr. Safford agreed to supply a hardcopy of the budget to each member at the next meeting.

Ms. Pearce asked about discussing concepts of what is to be expected from this Board. The legacy costs for Police and Fire negatively impact the City now, and will the Board discuss concepts on how to recommend changes? The Police and Fire Pension Plan states they can retire after twenty years with 70% of their pay, and would that be addressed? Mr. Ellingsworth stated if the City wanted to cut costs they will focus on that, however, the Board needs to have a goal of what to accomplish. The meeting with the City Commission will give more direction about the Boards' goals and objectives. Some restrictions may apply for example; there will be contracts that even if they make recommendations, they may not be able to be implemented. Mr. Safford stated he would like for the Board to "think outside the box". He asks them to also look into *new* revenues. The City is approaching build-out, the population has leveled off, things have to change so the City is not in the position of having to make cuts every year and the funds need to be stabilized. A fire assessment fee raises millions of dollars which we do not currently have in place and ad-valorem has not been a stable revenue for several years. At some point he would like to see the employees get pay raises in order to draw and retain employees. Mr. Safford said measuring programs is a good idea, being careful not to impact the downtown draw. He suggested a long term written financial plan with objectives, restrictions on long term contracts, and a policy on the amount and use of fund reserves.

Mr. Ellingsworth suggested several levels of goals 1.) Short term goals such as cutting expenses 2.) Long term goals such as stabilizing revenues, making recommendations about policies, practices and setting restrictions. Ms. Pearce stated another strategy may be selling assets to generate revenue. Mr. Ellingsworth stated the City should not enter into a significant Capital Improvement without analysis of the on-going costs, such as money currently needed to maintain the parking garages Mr. Safford stated although they are focusing on the General Fund there are other areas such as Water/Sewer, Golf Courses, Tennis Centers, Beautification Fund, etc. that have programs also. Right now they are self-supporting but the Board is welcome to look into them as well. Ms. Walker stated that we should look into the Capital Improvement process and the problem may be the process itself.

Mr. Ellingsworth asked Mr. L'Herrou to describe what the Chamber did with the Senior Center. Mr. L'Herrou explained that there was a Blue Ribbon panel that reviewed the Senior Center in 2004. Part of the bond issue was to build a Western Community Center which after design was going to cost 3 times more than we could pay for, not including the maintenance expenses of the Center. The Center ultimately was not built and is not planned to be built, however it is on that bond issue. Mr. Ellingsworth noted that is a perfect example of why an independent party needs to review capital projects. He noted all of the change orders that occurred after the initially quoted cost of the parking garages. Mr. L'Herrou mentioned Miller Park (sport park) showing current cost of 5.5 million due to the fact that it was built on an a landfill and they had to excavate the debris. Also with the baseball diamond it limits the use for other sports. Mr. Ellingsworth stated that before we purchase a property the City should perform all of the analysis that a private individual would do such as soil testing.

Mr. L'Herrou thought writing a Mission Statement for them in conjunction with the City Commission's input and from that build strategic goals. It was decided to have the Board draft a Mission Statement first and take it to the Commission meeting for their input. Mr. L'Herrou offered to draft the Mission Statement. The Sunshine Law was again discussed as to the emailing and conversation guidelines. Mr. Safford offered insight on what the Commission may be looking for such as help analyzing the Budget keeping both the expenses and revenue in mind.

Item 6. New Business

Mr. Ellingsworth discussed items to go on the next agenda. He asked that we add an item for approval of agenda. Mr. Safford noted the potential problem with that is the agenda needs to be posted in the lobby of City Hall 24 hours prior to their meeting for public notification. So it can be discussed under "New Business".

Ms. Pearce discussed last year's idea from Mr. Moore to have a contest for citizens to submit cost saving ideas. She wondered if cost savings ideas were received and if the citizens were rewarded. Mr. Safford added there is a suggestion program for employees as well.

Mr. Warner revisited the suggestion of a budgetary process change. He would like to recommend to the Commission that they establish for the budget year a spending target. Departmental staff would build that into the Budget guidance that the Finance Department sends them. It could establish a multi-year view of what the spending on programs will be. He added the Board and the Commissioners may need the ideas of the City staff to find the five or six million dollars we may need to balance the Budget. The concept is to have the Commission based on Financial Staff's estimate, build into the budget guidance a total cap on spending. The Departments then submit their recommendations of where to cut if needed, but bring to the Commission a balanced budget. Mr. Warner agreed to draft a new budget process with this theory.

Ms. Walker noted we would have to start the process early and get the departments involved. If there is any potential cost savings let them identify them. Mr. Safford noted that if the City Commission would give some inclination as to what they are looking to set the millage rate to in advance it would be helpful. It is traumatic if a position has to be cut because you have to name an employee associated with the position and traumatic to employees if benefits are cut as well.

Ms. Blood stated this happens in all businesses and sometimes it has to be done. Mr. Safford stated that 51 positions have already been cut, mostly unoccupied positions but not all. Mr. Ellingsworth stated his approach is from the perspective of a taxpayer. He does like Mr. Warner's suggestion of the new approach to the budget process. He does not want to assess taxpayers more by charging for programs. Mr. L'Herrou stated that in the past the departments have been asked to bring back several budget projections. Mr. Safford explained they had in the past prepared their budget in levels i.e. an 85% budget of what you had in previous year, 100% and 103%, but last year we did not submit the budget in levels. The departments were asked to break down their departments by function and what the programs provided. The City Manager then sits with each Department Head and reviews their budget. Then the City Manager balances the budget without further assistance from the departments or the Finance Director. The City Manager reports his recommendations to the Commission. The departments will then find out what has been decided.

Mr. Warner stated he would assume that the Board would start with a recommendation of no millage rate increase. Mr. Ellingsworth knows that it is a challenge, but he did not think the Commissioners wanted to raise the millage. Mr. Safford reviewed some things the departments have already done and noted the only remaining option if the millage stays the same is to go to positions which he hopes will not happen. He also pointed out some departments have very few people and how difficult it can be to cut even 10% of their budget. Ms. Durden stated if we don't want to raise millage rates to move in the direction of Mr. Warner's comment on giving the departments a set amount to work with and have them decide how they are going to live within those boundaries.

Mr. Ellingsworth outlined what would be included for the next Agenda:

1. Mission Statement
2. Review Function Reports and Handout materials
3. Discuss Mr. Warner's written statement of his proposal of how to approach the Budget
4. Review responses on the contest for ideas from the community from which there were 3 winners and several other good ideas. (The number one idea was using sponsorship or advertising on City properties.)
5. Approval of Agenda
6. Estimation of the millage rate
7. Establish guidelines for public participation.

Item 7. Adjournment

Mr. Warner motioned the meeting be adjourned. Ms. Walker seconded the motion and the vote was unanimous. The meeting was adjourned at approximately 10:30 a.m.

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he 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 December 15, 2009, which minutes were formally approved and adopted by the Financial Review Board on _____.

Joseph M. Safford, Director of Finance