MINUTES OF THE COUNTY BUDGET TASK FORCE MEETING
HELD ON MONDAY, APRIL 30, 2012

I. CALL TO ORDER AND ROLL CALL

The County Budget Task Force meeting was called to order at 2:30 p.m. on Monday, April 30, 2012, in the Town Council Chambers. On roll call, the following members were found to be present: Chair Gail Coniglio, Carla Cove, Bobbi Horwich, Bruce McAllister, and Jere Zenko. Kenneth Horowitz was absent.

II. PLEDGE OF ALLEGIANCE

Mayor Coniglio led the Pledge of Allegiance.

III. COMMUNICATIONS FROM CITIZENS (3-minute limit, please)

No one requested to speak.

IV. APPROVAL OF AGENDA

Motion to approve the agenda was made by Mrs. Cove, seconded by Mrs. Horwich, and was approved unanimously.

V. APPROVAL OF THE MINUTES FOR THE MARCH 1, 2012 CBTF MEETING

Approval of the minutes was deferred until later in the meeting to give all Task Force members an opportunity to review them.

VI. CURRENT AND PROJECTED PROPERTY VALUES AND THE IMPACT ON MUNICIPAL PROPERTY TAX REVENUE [Gary R. Nikolits, CFA, Property Appraiser, Palm Beach County]

Gary Nikolits, Palm Beach County Property Appraiser, reported that the state of the Town seemed to be improving value wise; taxable value had increased as of April 25 by approximately .69%. He said the figures would likely change. He stated that the trend line appeared to be leveling off. He further stated that his office believed that most of the increase was the result of the recapture rule under the Save Our Homes Amendment. He explained that if a property owner had a homestead exemption for a long time there was a chance that the market value exceeded the assessed value and when that happens, property appraisers are required to increase the assessed value by the lesser of 3% or the percentage change of the prior year consumer price index (3% this year).

Mr. Nikolits spoke about the legislature and the granting of additional exemptions. He stated that exemptions transfer the costs of the benefit to someone else. He reported that there was an issue on the ballot in November regarding an exemption for first time buyers and also includes people who have not owned a homesteaded property or property subject to homestead exemption for three years. He further reported that the essence of the exemption was that 50% of the market value of the person's house, as determined by the property appraiser's office, would be exempt from taxation up to a total of the median market value of all homestead properties. He said the median for Palm Beach County is $143,000. He explained that the exemption would be in addition to the current $50,000. He further explained that the new exemption would be for five years and decrease by 20% a year. He said he believed it would further diminish the available tax base for taxing authorities.

Mr. Nikolits stated that currently non-homestead properties, whether residential or commercial, are subject to a 10% cap. He explained that if a property value is lowered, its sets the base for the following year and can only increase by 10% a year. He spoke about the change in the attitude of Value Adjustment Board's (VAB) which made it difficult for the Property Appraiser's Office to defend its values. He explained that when the VAB arbitrarily adjusts a value far below where it should be, it establishes a new base for future year adjustments and makes it subject to the 10% cap. He further explained that it would take ten years to recoup that value because the value can only go up 10% per year. He reported that a ballot amendment had been proposed to reduce the 10% cap to 5% which would extend the recapture to twenty years. He suggested the Town send representatives to the VAB hearings.

Mr. Nikolits answered questions from the Task Force members. He stated that properties are evaluated every year based on comparable sales. He reported that in the analysis of a property, foreclosures and short sales are used if the profit is of market value. He added that as the market turns around, less and less of the foreclosures and short sales would be used in the analysis. He spoke about the methods used to value improvements on a property. He stated that the states requires that a property be assessed at market value. He noted that a property owner can file a petition and challenge that value.

Mr. Nikolits stated that his office does not project values beyond the current year. He explained that by the nature of appraising, they are always looking back at what happened in the market place and trying to bring it forward to the current date. He said he could not speculate forward.

There was discussion regarding the decrease in commercial property values. Mr. Nikolits stated that he anticipated that the County budget would be flat. He said, however, that the County had a history of raising the rate. He stated that people did not always understand that the value of a property could go down and the taxes could go up, and the same could happen with the millage rate. He said in order to reduce taxes, the rolled back rate would have to be reduced.

In response to a question from the Task Force regarding the Value Adjustment Board, Mr. Nikolits spoke about professional tax representatives who for a fee would take a corporation's petition through the VAB and in return get 40%-50% of the tax savings for their efforts. He reported that last year approximately 7,500 petitions were filed before the VAB and nearly half of the petitions were resolved without going to a hearing, simply by presenting evidence that there had been a mistake. He continued, of the remaining 50%, half never showed up for their hearing and the other half go to a hearing. He said that the property appraiser generally prevailed 90%-95% of the time. He reported that since new rules went into effect the property appraiser's office still resolves 50%, 25% still don't show up, but of the remaining 25% that go to a hearing, about 40% win. He said that the system is cost inefficient. He stated that the VBA was supposed to be neutral arbiters. He further stated that the property appraiser was the only agency of the state that does not have a presumption of correctness; it has to prove it followed the law.

Mr. Nikolits reported that his office employed about 242 working positions. He stated that 23 positions had been defunded but were still in the budget. He said he anticipated a 3% increase in his budget for a new position in the deeds division due to the increase in sales and to add needed computer software that was needed. He reported that $18 million of his $23 million budget was for personnel costs, $2 million for information technology costs, with the remaining for general operations

VII. <u>BUDGET MATTERS PERTAINING TO THE TAX COLLECTOR'S OFFICE [Anne M. Gannon, Tax Collector, Palm Beach County]</u>

Anne Gannon, Palm Beach County Tax Collector, reported that the Tax Collector was a fee based office with the fees set by State statute. She further reported that two years ago, the legislature gave them driver's license issuing. She stated that since taking over driver's licenses her budget had increased for capital improvements to some offices to add staff due to the new driver's license responsibilities. She spoke about needed improvements to the facilities.

Ms. Gannon reported that most ($17.1 million) of her budget was for personnel services, with $3.7 million for operating expenses and $1.9 million for capital outlay (purchase of equipment for driver's license services). She further reported that until all the tax collectors in the state take over all the driver's license issuing, the only half the fee received from state is paid to the county. She said that by 2015 the transition should be complete.

Regarding the bed tax, Ms. Gannon said that the County had won a huge lawsuit with the on line travel companies and Palm Beach County had received the largest settlement in the state. She stated that $1.3 million of the settlement would go to the tourist development council. She reported that bed tax collections were up. She further reported that the Town of Palm Beach collected $3.81 million this year and $3.5 million last year.

Ms. Gannon stated that there was a Constitutional Amendment on the ballot to increase the exemption for tangible personal property to $50,000. She explained that if the amendment passes, it would be a $1.9 million cost to revenues in the County. She spoke about the proposed business plan to increase the bed tax collection and plans to be more aggressive in identifying people who rent out their property for less than six months.

Ms. Gannon reviewed her efforts to streamline and modernize her office which included the cross training of all employees, more employees added to deal with the volume of calls for driver's license issues, and moving the call center to West Palm Beach so employees could become familiar with the transactions and the rules that apply to the business. She said her office collects property tax, tangible tax, business receipts tax, and bed tax, and issues Sun Pass, titles and registration, and driver's licenses. She stated that the Tax Collector's website was being changed so more of the information that people need is on the website rather than having to place a phone call. She spoke about he inefficient County phone system, the creation of a private tag agency for titling and registration outside of the Tax Collector's office, outsourcing of tangible collections, the issuing of an RFP to save on the for the printing costs of tax bills, and the implementation of a health care plan.

Ms. Gannon stated that the checks for the bed tax are sent within 45 days of collection of that money. She said the money goes to the County where it is remitted. She suggested her office do a presentation on the bed tax. Mayor Coniglio asked the total bed tax collected in the calendar year November 2010 to November 2011. Ms. Gannon said she would provide the information to the Mayor.

There was a discussion regarding the lawsuit against the online travel companies.

VIII. <u>COUNTY COMMISSION BUDGET RETREAT [Carla Cove, County Budget Task Force]</u>

Mrs. Cove reported she had attended the March 21workshop of the Palm Beach County Commission. She stated that normally the workshop is held for the Commission to come to a preliminary consensus and set direction on where the County Administrator should direct his budget activities, but this year the Commission hired an outside facilitator to conduct a program called "Working Together." She reported that by 1:00 p.m. nothing had been done about the budget. She further reported that she did not believe the Commission came to any consensus. She said that they did decide that to keep the level of service the same they would have to look at a 3% to5% increase in the overall budget. She stated that in order to do that they had to decide whether to cut services, increase taxes or increase revenues. She gave a synopsis of each of the Commissioner's views on the budget. She said that the Commission did not give the County Administrator or staff a clear direction and she believed that the County Administrator would present them with preliminary budgets.

Mr. McAllister said the Commission would probably place on the ballot an amendment or resolution to increase the sales tax from 6% to 6.5%. Mrs. Cove said that the Commission did not mention sales tax specifically but did mention looking at park fees.

V. APPROVAL OF THE MINUTES FOR THE MARCH 1, 2012 CBTF MEETING

Motion to approve the minutes of the March 1, 2012, County Budget Tax Force Meeting was made by Mrs. Horwich, seconded by Mr. McAllister, and was approved unanimously.

IX. ANY OTHER MATTERS

Pat Cooper, 265 Orange Grove Road, spoke on behalf of the Palm Beach Civic Association regarding the proposed sales tax increase. He stated that a .5% increase in the sales tax would produce about $103 million. He further stated that he had read in the paper that the shortfall would be $30 million. He reported that the County had said the money was for public transportation, but there was nothing to prohibit it being used for something else and there was no sunset provision. He said that the Civic Association did not see the need for a tax increase. He spoke about the 2500 parcels of land owned by the County and the large number of project reserves.

Mr. McAllister asked if the Task Force could assist Fred Scheibl in following up the issues discussed by Mr. Cooper. Mayor Coniglio expressed concern because the Council's directive to the Task Force was to maintain some autonomy.

Mayor Coniglio asked the Task Force about a tactic, strategy, or philosophy that they should carry forward with the County budget process. She reminded the group that every constitutional office had spoken to them. She asked if they wanted to remain a tabled committee to be called back twice a year. She said she would work with Fred Scheibl with the caveat that the Task Force have its own identify and its own strategy. She asked that as she goes forward in her discussions with the County did the Task Force want her to include sales tax.

Mr. McAllister responded that if the Task Force continues its broad base approach of educating itself, it would not alter the course of events. He suggested that it would be better to focus on three or four issues that could be adopted, such as why the County had not sold or rented the parcels of land they own.

Mrs. Cove reported she had heard the Commissioners say they felt "challenged by outside influence of organized groups." She said that she felt the presence of the Task Force as an organized group had been helpful. She stated she would like to be informed on when the budget meetings and workshops were being held so there could be a letter writing campaign and focus on the issues that are important to the Town. She further stated she would like to be active but perhaps meet monthly.

Mrs. Horwich agreed saying that she did not believe the Task Force was as effective as the big groups but she believed one-on-one meetings were effective.

Mrs. Zenko spoke about the increased costs for health care and the need for a pension study. She said someone needs to talk to them about these issues.

Mayor Coniglio asked if the Task Force wanted her to carry the same mantra as last year to the County Commission: to maintain the millage rate. Following discussion, there was consensus that the mantra of the Task Force was for the millage rate to remain flat, and, with regard to the sales tax, ask its intended use, when it would end, and was it simply to augment the property tax collections.

There was agreement that another meeting would be scheduled when something informational was received and/or decision making was needed. Mrs. Zenko asked that the Mayor's message to the Commissioners be shared with the Task Force members.

Mr. McAllister said there had been no response to the letter written to Comptroller Sharon Bock regarding why she should not be subject to the Inspector General. Deputy Town Manager Bradford replied that Ms. Bock had spoken to him and she chose not to respond to the issue.

X. ADJOURNMENT

There being no further business to discuss, the County Budget Task Force meeting of April 30, 2012, was adjourned at 4:06 p.m.

APPROVED:

Gail L. Coniglio

Gail L. Coniglio
Mayor