REPORT OF THE COUNTY BUDGET TASK FORCE
HELD ON MONDAY, DECEMBER 19, 2011

I. CALL TO ORDER AND ROLL CALL

The County Budget Task Force meeting was called to order at 8:59 a.m. on Monday, December 19, 2011, in the Town Council Chambers. On roll call, the following members were found to be present: Mayor Gail Coniglio, Carla Cove, Bobbi Horwich, Ken Horowitz, Bruce McAllister, and Jere Zenko.

Mayor Coniglio introduced new Task Force Member Ken Horowitz.

II. PLEDGE OF ALLEGIANCE

Mayor Coniglio led the Pledge of Allegiance.

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

No citizens requested to speak.

IV. APPROVAL OF AGENDA

Mayor Coniglio reported that Pat Cooper had requested to speak regarding the Florida Tax Watch Report and it would be added to the agenda.

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

V. APPROVAL OF THE MINUTES FOR THE APRIL 27, 2011 CBTF MEETING

Motion to approve the minutes of the April 27, 2011, County Budget Task Force meeting was made by Mr. McAllister, seconded by Mrs. Cove, and approved unanimously.

VI. OVERVIEW OF SCHOOL DISTRICT BUDGET AND REVENUE SOURCES
[Michael J. Burke, Chief Financial Officer, The School District of Palm Beach County]

Palm Beach District School Board Member Jennifer Prior Brown introduced herself.

Michael J. Burke, Chief Financial Officer of the School District of Palm Beach County, gave an overview of the school district. He reported that the school district was the largest employer in the county with a total budget (all funds) of $2.3 billion and a General Fund operating budget $1.5 billion. He reviewed how education is funded in Florida through the Florida Education Finance Program (FEFP) explaining that the funding is determined by legislature. He further explained that the FEFP formula equalizes funding across the state on a per pupil basis. He said that the two main sources of revenue were local property taxes and state sales tax, both revenue streams subject to economic volatility. He stated that the local board could not change how it funds education. He shared information from a chart depicting the drop in per student funding from $7,600 in FY2008 to $6,951 in FY2012. He stated that decrease was about a $174 million loss of funds no longer available to the district. He reported that last year the legislature required all employees to contribute 3% to the Florida Retirement System (FRS), which shifted some of the school district cost to employees. He stated that changes to the FRS saved about $55 million.

Mr. Burke spoke about loss of the Stimulus money, the American Recovery & Reinvestment Act (ARRA) funds, which had helped offset the shortfalls in FY10 and FY11. He stated that the school district received about $38 million from the Federal Education Job Funds in FY12 which was used to help balance the budget this year. He further stated that the school board is challenged each year to adopt a balanced budget and fit the programs into the revenue available. A chart of the ten year history of the FEFP funding, state versus local revenue, was reviewed. Mr. Burke explained that there are counties around the state that are property rich in terms of their property values versus the number of students in the county. He said that Palm Beach County is a property rich district and, as a result, the county is funding about 73% locally. He stated that the state is pooling the property tax money at the state level and redistributing it on a per student basis. He reported that the trend over the last ten years was an increase of about 12.5% locally. In response to a question from Mrs. Horwich, he said that Palm Beach is a "donor" county.

Mr. Burke reviewed the $1.3 billion decline of the district budget over the last five years. He explained that $1 billion of that amount was in the Capital Projects budget. He stated that the General Fund budget (day-to-day operations) did increase due to receiving the Federal Education Jobs Funds. He said that the other funds are dropping. He reported that most of the General Fund is funded locally. He further reported that 75% of the appropriations in the General Fund are for salaries and benefits. He noted that charter schools are a big component of purchased services. He explained that the revenue for the thirty charter schools passes through the school district to the charter schools.

Mr. Horowitz asked for a breakdown of the 60% local sources revenue in the General Fund. Mr. Burke replied that it was all local property tax.

Mr. Burke reviewed the FY12 budget reductions. He said that the focus was on trying to safeguard the schools and classrooms. He stated that the schools budget was $1.1 billion of the $1.5 billion operating budget. He reported that the school district had cut 727 positions. He noted that the school budget grew last year because of increased enrollment and class size requirements. There was discussion about the decreased enrollment after the hurricanes in 2004 and the resumption of the pattern of growth over the last two-to-three years.

Mr. Burke spoke about the requirements for charter schools and the funding provided to them.

Mrs. Zenko asked the number of students who have English as a second language. Mr. Burke responded it was about 18,000. He explained there are full time teachers dedicated to that group of students and there are also English for Speakers of Other Languages (ESOL) endorsed teachers who may have a handful of ESOL students in their classroom. He said he would provide a breakdown of the number of teachers in the ESOL and the Exceptional Student Education (ESE) programs.

Mr. Burke reported that the External Budget Advisory Committee is comprised of citizens appointed by each of the seven school board members. He said the Committee was helpful in getting to a balanced budget and made recommendations for about $31 million in hard cuts last year. He stated that the rest of budget shortfall was addressed using Federal funds, selling land from the Palm Beach Public west campus, and terminating a swap with debt instruments for school construction financing. He reported that this year the Committee is looking at about a $52 million budget shortfall. He said that the Committee had provided the school district a list of items to review including outsourcing and changing employee contracts from 12 months to 11 months. He stated that smaller schools are more costly to operate on a per student basis and the district was looking at what could be done to share staff.

Mr. Burke compared Palm Beach County expenditures to other large school districts in the state.

Mr. Burke noted that the legislature plays a major role in school taxes and the board's authority to levy property taxes. He stated that 70% of the school tax bill is attributed to the Required Local Effort (RLE) which is set by the legislature each year. He explained that all districts must levy the RLE in order to participate in the FEFP funding formula. He further explained that of the current millage levy (8.180 mills), 5.682 or 70% is for the RLE. He reviewed the local board levies saying that they are capped by state statute. He stated that the Local Capital Improvement levy had been reduced from 2.00 to 1.50 mills over the last two years. He said that this money is used to build, renovate and maintain the schools with no more than 75% to be used for Debt Service. He stated that the school district was at that cap and had to shift part of the Discretionary millage to Debt Service in compliance with the threshold. He noted that the local board millage levy had been reduced by 14% over the past five years. He reported that when the state reduced the capital outlay millage from 2.00 to 1.500 mills, local boards were given the option to continue to levy up to .25 of the millage and use it for critical operating or critical needs. He further reported that in November 2010 the voters approved a referendum to continue to levy the .25 millage for the next four years. He explained that the money is dedicated to maintaining the fine arts teachers (art, music and P.E.) and funding for the teachers in the Choice programs (Dreyfoos, Bachman, Suncoast).

Mr. Burke shared information on school taxes paid by the Town of Palm Beach. He said that based on the taxable value for Palm Beach County, the Town is contributing about $93.2 million of local taxes to the school district or just under 9%.
Mr. Burke spoke about student achievement saying that the district was proud to maintain an A rating for the last seven years. He said when the high school grades come in, if there are no F schools, the district should be eligible to be a high performing school district which would allow the district to submit waivers of some of the state requirements.

Mr. Horowitz asked the biggest impediment to revamping the budget to make the school system become more efficient and save money. Mr. Burke replied that one of the basic impediments was class size restrictions. He said the district is looking at outsourcing custodians and maintenance workers. He reminded the Task Force that the school district has to meet the needs of all the students and spends close to $150 million for ESE students and only receives about $90 million in revenue. He said that politically it is difficult to close a school, but schools with less than 300 kids are very expensive. He spoke about the move from 12 to 11 month contracts. He stated that funding is limited and the district's ability to raise more revenue is limited. He further stated there are many state mandates for FCAT, curriculum, and the evaluation of teachers. He said that the school district does not have as much flexibility as the CEO of a private business.

Mrs. Horwich asked about insurance for employees. Mr. Burke replied that the district went thru some revisions of health care and for the first time is requiring a contribution by employees. He spoke about health initiatives implemented to reduce health care costs. Mrs. Zenko asked for a spreadsheet of the health care plans with coverage and payments and a chart of the costs and recovery costs (district pays versus what employees pay and differential) for the current and past year.

Mr. McAllister asked if participation in the Inspector General's oversight would help or hinder in the administration of school finances. Mr. Burke responded that the school district is audited every three years by the state auditor general, an external audit is performed each year, and the district has its own internal auditor who does performance auditing and any accusation of fraud or theft. He stated that the district is also subject to federal audits for federal grants. He said that the district looked at the costs for the Inspector General and the surcharge with contracts and it was estimated, based on the school district's level of contracting, to be about $.5 million. He reported that the school district was required to audit every school each year and that would not be part of the Inspector General's job. Mr. McAllister asked about an anonymous whistle blower component. School Board Member Brown responded that last week the school board adopted a policy to change the audit department to an inspector general department with peer review. She added that the board also adopted a whistle blower policy and a hotline. She reported that the school board tried to set up the internal inspector general policies so if there was an allegation of misconduct for the superintendent, school board member or someone within the school board's inspector general office, it would be investigated by the school board inspector general and the County Inspector General. She said that the County Inspector General declined the invitation for just that oversight.

Mayor Coniglio asked about oversight of contracts. Mr. Burke replied that there is a construction oversight committee comprised of citizens with experience in construction who review any contract or award that is brought to the school board. He said there was also an independent oversight on the sales tax proceeds to insure the monies were used as promised. He added that the internal auditor does some construction audits. School Board Member Brown stated that before the school board hears any agenda item relating to construction expenditures, the construction committee chair reports to the board. She spoke about the value of the committee. Mayor Coniglio asked about construction projects and cost overruns. Mr. Burke replied that the school district does a detailed five-year capital plan and follow up cost reporting on all projects. He explained that the information is transmitted to Florida Department of Education staff who monitor the projects. He stated that the projects had been brought in on-budget, and any change orders are reviewed by the construction oversight committee and brought back to the school board for approval.

There was discussion regarding beginning teacher salaries, contracts, and pensions.

Deputy Town Manager Thomas Bradford asked if teachers and staff were allowed to see the school nurse for ailments. He also asked if there are school board operated clinics throughout the county. Mr. Burke responded that the Health Care district helps by funding the bulk of school nurses. He stated that the primary role of the school nurse is to work with the students and administer medication. He further stated that employees do not go to the school nurse but should use one of the providers in the network. He said that the school district was looking at running its own clinic as a choice. He reported that Pasco County had its own clinic and they seemed to be pleased with it but were not yet sure if there is a savings. He further reported that the school district had met with the County Commission to see if they could pool their efforts to set up a clinic. There was further discussion on school nurses.

Mayor Coniglio thanked Mr. Burke and School Board Member Brown for their presentation.

VII. ANY OTHER MATTERS

Pat Cooper, 265 Orange Grove Road, representing the Palm Beach Civic Association, updated the Task Force regarding the Florida Tax Watch Study. He reported that County Administrator Robert Weisman completely discounted the entire 48 page report and said it was irrelevant and wrong. He further reported that two-to-three weeks ago, Sharon Bock, Palm Beach County Clerk & Comptroller, made a presentation to the County Commission about the Tax Watch Report noting that certain language regarding reserves and the funding of those reserves made it difficult to follow because it mixed budget and accounting, which are two different systems. He stated that Ms. Bock did conclude that a policy was required for reserves. Mr. Cooper informed the Task Force that the 48 page report contained nine recommendations, six of which were contained in 2006 report, and of those six, four had not been acted upon, one of which included more clarity in the presentation so all of the information was out in the public eye. He stated that the concern was that the Commission did not look at the report in 2006 or now. He further stated that a positive from the discourse was that the County Commission is looking for options. He said that the Civic Association was not trying to defend what Florida Tax Watch did but was concerned about the content being clear as presented to the public. He explained that the report did have enough disclaimer information for the reader who was reading it carefully but it should have been clearer and could have been cleaned up with some phone calls to Ms. Bock's office by Florida Tax Watch.

Mayor Coniglio asked if the product from Florida Tax Watch helped with the progress made in the public comments to the Commission. Mr. Cooper replied that it provided the Commissioners with some options. He reported that since the presentation was made the Civic Association had talked to Ms. Bock and Florida Tax Watch, and Tax Watch will be coming out with a clarifying statement within the next few weeks.

Mr. Bradford distributed a spreadsheet with the results of residents efforts, countywide, to reduce the millage rate. The spreadsheet showed a projected millage of 4.992 mills and an adopted rate of 4.7815 mills. Mr. Bradford stated that the millage rate increase was only 6/10 of 1%. He said that the County Administrator had stated that the adopted 2012 operating millage plus the debt millage was less than the total of the two millage rates in FY2011. Mrs. Horwich congratulated everyone on their efforts.

Mayor Coniglio asked for input from the Task Force Members on their future mission. Mrs. Zenko spoke about the study done in the Town of the out-year costs, which showed a $125 million operating deficient over ten years. She said she believed that the County had little idea of their potential out-year numbers. She suggested a study be funded for the County. Mayor Coniglio asked if there were any governmental restrictions to the Town funding a study of the County's operations. Mr. Bradford said he did not believe it was improper or illegal but it was unusual. He stated it would be more likely for citizens to undertake the study. Mrs. Zenko proposed the study could be done the same as the Florida Tax Watch Study by raising funds in a private capacity. Mr. McAllister suggested that the issue be discussed with Taxpayer Action Board (TAB) to see if they and their coalition partners could put together as a goal. Mrs. Cove suggested Mr. Fred Scheibl of TAB be invited to the next meeting. Mr. McAllister responded that it could be pursued privately before that time. He asked about pursuing the County Commission to advance the idea of the ten-year study that ought to be done by them with a parallel private effort. Mr. Horowitz said he believed that that the County should have a ten-year study. Mayor Coniglio said she would follow up. Mrs. Zenko asked Mr. Bradford for information on the cost of the Town's study and who performed it.

Mayor Coniglio asked about scheduling another Task Force meeting. Mr. McAllister said that in about two months there should be information from TAB, working with its coalition partners, to have the County Commission reveal their ten-year study. Mayor Coniglio suggested that she and Mr. Bradford work on the County Commission's ten-year plan and the discussion with TAB. She said Mr. Bradford would coordinate the work and send it out to all members and then she would schedule another meeting of the Task Force.

VIII. ADJOURNMENT

There being no further business to discuss, the County Budget Task Force meeting of December 19, 2011, was adjourned at 11:08 a.m.

APPROVED:

Gail L. Coniglio

Gail L. Coniglio
Mayor