TOWN OF PALM BEACH

MINUTES FROM THE FINANCE AND TAXATION COMMITTEE MEETING HELD ON MONDAY, JULY 7, 2003

I. CALL TO ORDER AND ROLL CALL

Committee Chairman, Town Council President, William J. Brooks called the meeting of the Finance & Taxation Committee to order at 9:30 a.m. On roll call, President Brooks and Committee Member, Town Council President Pro-Tem, Norman P. Goldblum were found to be present.

Other Elected Officials present at the meeting were: Mayor Lesly S. Smith; Councilman Jack McDonald; Councilman Samuel C. McLendon; and Councilman Allen S. Wyett.

Also attending all or part of the meeting were: Town Manager Peter B. Elwell; Assistant Town Manager Thomas G. Bradford; Assistant to the Town Manager Sarah Hannah; Police Chief Michael Reiter; Human Resources Director William C. Crouse; Information Services Manager Spencer Wilson; Risk Manager; Karen Temme; Finance Director Jane Skittone; Assistant Finance Director Cheryl Somers; Fire-Rescue Chief Kent Koelz; Fire-Rescue Office Manager Belinda Hardy; Purchasing Agent Charles Boggs; Public Works Director Albert P. Dusey; Assistant Public Works Director Paul Brazil; Dock Master Jon Luscomb; Recreation Director Russell Bitzer; Golf Pro Rick Dytrych; Tennis Pro Jim Hay; Recreation Supervisor Alan Brown; Assistant Director of Planning, Zoning & Building Veronica Close; Planning, Zoning & Building Chief Inspector Steve Carew; Planning, Zoning & Building Administrative Aide to the Director Linda Corbett; and Town Clerk Mary A. Pollitt.

II. INVOCATION AND PLEDGE OF ALLEGIANCE

The invocation was given by Town Clerk Pollitt. The pledge of allegiance was led by Mr. Brooks.

III. APPROVAL OF AGENDA

The agenda was approved as presented.

Mr. Brooks reported that County Property Appraiser Nikolits on May 30th submitted the assessed property value for FY2004 with an 8.38% increase for the commercial and residential properties in the Town of Palm Beach. He continued the staff had made additional cuts of $128,000 in the proposed budget to maintain the existing millage rate; however, Mr. Nikolits later advised the assessed value would increase 10.1% in the Town equal to an increase of $507,000. Mr. Brooks said his recommendation, with the $507,000 increase, would be to add the watch commander at $235,000 to the Fire-Rescue budget and have the entire Council consider a series of budget options at the July 9th Town Council meeting for the balance of the $507,000.

Mr. Brooks explained the reason for preparing the FY2004 budget in the summertime is the requirement in the Florida Statutes.

IV. OVERVIEW BY TOWN MANAGER

A. Long Term Financial Plan

Mr. Elwell said the Long Term Financial Plan should be useful to the Town Council and the community to project trends in future years and project out for five fiscal years. Mr. Elwell reported that the projected FY2005 Budget shows a projected tax rate increase with decisions being made next year reviewing the emerging priority needs of the Town.

Mr. Elwell continued that beyond FY2005, tax rate decreases are projected for the next three years, and the Town's future is bright with the Town's strong financial position and conservative projections for future budgets.

B. FY2004 Proposed Budget

Mr. Elwell said that prior to the last minute budget cuts by staff totaling $128,000, over $600,000 was cut from the original projections to fund the proposed FY2004 budget. He said he will recommend re-instating $128,000 of last minute cuts which may have negatively impacted the operations of the Town.

Mr. Elwell referred to the fifth Townwide Goal of FY2004, to implement actions recommended in the Town's Strategic Plan and add to it a Strategic Plan for the Fire-Rescue Department and a Traffic and Parking Improvement Plan. He said the staff is proceeding with the implementation of the Strategic Plan recommendations; however, the Fire-Rescue and the parking plans were deferred with the first being necessary and the second one proposed. He continued the Fire-Rescue Department's specific plan was deferred due to the timing schedule of accreditation for the department with full accreditation expected in FY2006. Mr. Elwell said his recommendation for the parking and traffic plan with a price tag of $130,000 - $150,000 will be to defer the study for one year.

Mr. Elwell identified the increase to the General Fund as driven by the $1.7 million actuarially determined increase for the funding of the Town's retirement programs which reflects a doubling in cost of the retirement programs to the Town driven almost completely by the poor stock market performance in the last few years and tight financial times. He explained the $1.7 million represents a 98% increase in retirement funding and a 3.8% increase in the General Fund operating costs of the Town.

He pointed out the $376,900 of new debt service that is included in the budget plus $50,000 for feral cat management and $27,000 for the expansion of the lethal yellowing program. Mr. Elwell projected that approximately $800,000 will be returned to the General Fund balance on September 30, 2003, with an anticipated balance of approximately $16 million, representing approximately 34% of the proposed FY2004 budget equal to approximately $4.3 million excess fund balance, above and beyond the 25% minimum to be maintained.

Mr. Elwell, responding to a question from Mayor Smith, explained the $128,000 in cuts included items such as office supplies, telephone costs, copier costs, and other basic functions of the Town.

Mr. Elwell added, with the restoration of the $507,000 to the Proposed Budget, that he recommended restoring the following items:

Fire-Rescue Department:

Shift Commander (1 position, 3 employees) with an annual long-term cost of approximately $260,000; Total first-year cost = $235,000, (These estimates include salary, benefits, vehicle, equipment, and related supplies); security cameras and panic hardware for Fire Station = $24,000

Police Department:

Utility trailer and equipment to be used for traffic barricades and checkpoints during hurricane evacuation and roadblocks and when implementing the border security element of the Comprehensive Domestic Security Plan - $15,000; variable message sign to be used to advise motorists of 'bridge out', 'hurricane evacuation' or any other appropriate information - $20,095

Public Works Department:

Assistant Director - $85,000

Mr. Elwell said he did not recommend restoring the following items:

Town Manager's Office:

Lobbyist Retainer - $10,000 to $50,000; Traffic and Parking Study - $130,000 to $150,000; Townwide Newsletter - $20,000 to $60,000. This item has not been included because efforts are already underway to improve the Town's web site and develop a cable access information TV channel. We believe these and other efforts to improve communication with the public can achieve comparable results to a traditional mailed newsletter at a fraction of the cost.

Leisure Services Enterprise Fund:
Additional Tennis Court(s) at Phipps Ocean Park; one court = $80,000; Complete Project per Approved site plan = $525,000

Mr. Elwell said he did recommend partial restoration of the Contingency Fund in the amount of $59,237 to maintain the Town's policy to fund a Contingency line item that is equal to 2% of the of the General Fund operating expenses in a given fiscal year. He noted that FY2003 and FY2004 budgets included a 1% figure as a cost savings measure to contain the tax impact of the General Fund budget. He emphasized the proposed budget does not include any use of fund balance, and the personnel complement remains steady with an actual decrease of 16/100ths of a full time position. He noted the proposed recommendations of the shift commander and assistant public works director would change that number.

Harold Nechtow, representing the Citizens Association, requested the Town build the fourth tennis court at Phipps Park to allow additional players on the court who cannot play now because of the wait to get on the courts. He added an additional court would serve the needs of younger Town residents who want their children to play tennis.

Mr. Goldblum responded the monies for the fourth court construction would come from the Leisure Services Fund and a sufficient balance exists in the account to fund the court.

Spencer Wilson, Information Services Manager, explained the rationale for the inclusion of the following items in the proposed FY2004 budget:

GIS software to integrate mapping, CAD dispatching and crimes analysis proposed by the Police Department - $42,000 - part of which may be reimbursed by 911; plasma screens for the communications unit in the Police Department for displaying the GIS maps (part to be reimbursed by the County 911 fund) - $15,000; replace CDPD cellular service with GPRS as part of a required upgrade within the wireless community. CDPD will no longer be available after December 2003. GPRS is faster and more reliable and will help to enhance officer safety - $25,000; equipment to create a Town wireless infrastructure that will allow the Fire-Rescue Department and the Police Department to have faster network access from vehicles and mobile equipment without relying on outside vendors - $12,000; equipment for the Public Works Department to use in conjunction with the GIS program to assist with GASB 34 infrastructure reporting - $27,000; CISCO firewall hardware and software to better protect the Town's networking infrastructure - $12,000; and additional disk storage for the Town's Main AS/400 - $7,500.

Police Chief Michael Reiter explained his department's needs for FY2004 included two digital, single-lens, reflex cameras for the Crime Scene Evidence Unit - $5,000; a forensic video based optical comparator for the Crime Scene Evidence Unit - $6,700; Krimesite Imager Direct View, Crime Scene Evidence Unit - $23,640; A/C Unit, Police Mechanic's garage - Federal requirement for A/C repairs - $4,000; Laser Speed Gun, Motorcycle Patrol Unit - $4,125; MultiRAE Multigas Monitor Kit - vital equipment for a fully functional Explosive and Hazardous Materials unit that detects weapons of mass destruction in their gaseous state - $4,195; and a Security Arm Gate, Police Department east parking lot - $8,000.

Chief Reiter also noted that two items were removed from the initial FY2004 budget request but would be included if monies were available, and they were a request for a utility trailer and equipment to be used for traffic barricades and checkpoints during hurricane evacuation and roadblocks and when implementing the border security element of the Comprehensive Domestic Security Plan - $15,800, and a variable message sign to be used to advise motorists of "bridge out", "hurricane evacuation" or any other appropriate information - $20,095.

Fire-Rescue Chief Kent Koelz explained his requests for a vehicle exhaust removal system - $60,163 that would remove carbon monoxide and any other contaminants or hazardous materials in the building. He added the systems would be installed in the north and south fire stations.

Chief Koelz, addressing the issue related to the Shift Commander position (3 employees), said this was a recommendation made by the consultant, and those positions were in the budget prior to 1990 and were later covered by three Assistant Chief positions. He continued the need today is for the reinstatement of this position to be responsible for enforcing rules, laws, and codes, many of which are new requirements and include the control and administration of certain drugs plus supervision during nights and weekend shifts.

The Committee made the recommendation to the Town Council to restore $235,000 to the budget to fund the Fire-Rescue Shift Commander positions.

Public Works Director Al Dusey explained his request for an additional Assistant Public Works Director at a cost of $85,000 was based on the increased demands for the department and to respond to the residents of the Town providing the best services possible. He continued that since his 1986 employment date, 33 positions have been eliminated, some were replaced with contract services but the vast majority were not and were supplanted by better ways to do things. He said an Assistant would allow for strategic planning and putting preventative procedures in place with the management structure to be similar to the Police and Fire-Rescue Departments.

Mr. Elwell added that, looking ahead to the 5 year long range plan, the only positions Public Works will be requesting are the Assistant Director position and two field staff level positions to operate the nine new pump stations that are being built as part of the major drainage improvements. He reiterated that Public Works has a history, under Mr. Dusey's direction, of operating 'lean and mean', and he supported Mr. Dusey's request for an Assistant Director.

Mr. Brooks responded the Council has supported Mr. Dusey's efforts with the hiring of Sandy Tate, Coastal Management Coordinator, and the use of contract personnel as needed. Mr. Brooks said he could not support the request for $85,000 for an additional top level manager at Public Works; however, the Council members may have a different opinion. Mr. Brooks complimented Public Works on their efforts and the staff.

Mr. Goldblum questioned if Coastal Manager Sandra Tate assisted in any other projects? After Mr. Dusey responded negatively, Mr. Goldblum said he concurred with Mr. Brooks, and **the Committee's recommendation was to defer the addition of an Assistant Director of Public Works to FY2005.**

Mayor Smith questioned the $45,000 costs in FY2003 and the proposed $56,000 in FY2004 for parking meter maintenance and collections?

Mr. Dusey replied the Town needs to purchase electronic meters and is unable to repair the mechanical meters because the parts are no longer manufactured. He added the $56,000 is designated to purchase only 25 meters with additional meters needing replacement in the future.

Mr. Brooks summarized, that of the $507,000, the Committee is recommending to date $363,500 for the Council to consider at the July 8th meeting plus the items that were cut. He suggested the partial restoration of the contingency items should be discussed – $59,237.

Mr. Elwell said the amount falls between 0 and $144,000+. He said the concept is to consider taking a step back towards 2% of some magnitude the Committee is comfortable with.

Mr. Goldblum suggested adding the $144,000 to the Contingency Fund, and **the Committee recommended that up to $144,237 be restored to the General Fund Contingency account.**

Mr. Brooks requested the recommendations for the items totaling $363,500 be on the bullet list prepared for the July 8th Town Council meeting.

The Committee recommended restoring the last minute cuts from the budget of $128,500.

V. REVIEW OF FY 2004 PROPOSED BUDGETS

A. General Fund

1. Revenues

a. Overview
b. Proposed Increase in Parking Ticket Fines and Penalties
c. Proposed Increase in Lien Search Fee
d. Proposed Increase in Fees for Limousine Permits

Mr. Elwell reported that non-ad valorem revenues will not change substantially. He recommended that the Town continue its policy, for the benefit of the residents, that certain services like garbage collection and sanitary sewer services be provided through the General Fund Operating

Budget (taxes) with the fees from those services qualifying for deduction from Federal income taxes.

After discussion, **the Committee recommended increasing Parking Ticket fines and penalties as presented; increasing the lien search fees as presented; and increasing the Limo Permit fees as presented.**

2. Expenditures

(Covered previously)

Mayor Smith questioned if the Building Department included the fines and forfeitures from the Sea Lord property in their projections?

Assistant Director Veronica Close responded the department based its budget on previous estimates and no particular items were targeted; although additional fines are expected from other sources in FY2004.

Mayor Smith questioned the $676,000 permit issuance revenue in FY2003 and asked how it compared to the $863,000 estimate for FY2004? Mrs. Smith also questioned the $765,000 Inspection and Compliance amount compared to $829,000 estimate for FY2004? She asked what the increases were based on?

Mrs. Close responded a personnel position was moved from contractual to Town employee, and several present positions were allocated differently.

Mayor Smith asked what the grant money amount was as compared to the expenditures listed in the proposed budget for Landmarks?

Mrs. Close explained the costs connected to several proposed grants, and the grants were mostly matching grants.

B. Debt Service Fund

1. General Obligation Refunding Bonds (Series 1993)

2. Revenue Bonds (Series 2000 and Series 2003)

Finance Director Jane Skittone explained that during the Fiscal Year 2003, the Town issued new bonds and refinanced the FY2000 Revenue Bonds. She continued that the 1993 GO Bond debt service for FY2004 will total $707,615, and the remaining balance of the 2000 Revenue Bond, with a call date of 2005, has a few more payments. Ms. Skittone added the 2003A Revenue Bond (paid off in

2010) that refinanced the coastal bond will kick in, and the 2003B Bond (paid in fiscal year 2033) is the facilities bond for the Town Hall and Fire-Rescue Station projects.

Ms. Skittone reported that the debt service will 'spike' slightly in FY2004 and FY2005 related to the new facilities bond and revenue bond. She continued that the debt service will level off during FY2006 through FY2010, and in FY2011 when the coastal bonds are paid off, the debt service drops down to the FY2003 revenue bond for the facilities projects.

Mr. Elwell noted that by judicious use of borrowing for the identified purposes, the Town is utilizing only 8% of the borrowing capacity of the Town, and the Town has very low debt compared to other communities.

Mr. Brooks said that maybe, as the Town Council considers FY2005, the possibility of considering a sinking fund for the revenue bond for the facilities projects may be discussed.

C. Capital Improvement Funds

1. Capital Improvement Program
2. Comprehensive coastal Management Plan (CCMP) - Pay-As-You-Go
3. Comprehensive Coastal Management Plan (CCMP) - Construction Fund
4. Town Facilities Bond Fund
5. Equipment Replacement Program

Finance Director Skittone explained that for FY2004, a total of $4.2 million is proposed to be spent on capital projects with $1.339 million of that amount designated for the Leisure Services Fund projects. She added that $2.6 million is designated for storm sewer drainage; $80,000 for Fire-Rescue station storm shutters; $30,000 for a de-contamination station; and $160,000 for the replacement of the Public Works facility.

Ms. Skittone continued that the Town Facilities Project Fund, the Pay-as-you-Go Coastal Management Fund, and the Bond Proceeds Fund are budgeted at expected levels in FY2004; however, most of the projects for those funds have been budgeted in prior years and rolled over. She explained that the Equipment Replacement Fund had $944,000 for expenditures related to equipment in Fire-Rescue; Planning, Zoning & Building; Police Department, Public Works, and Information Services. She mentioned that $1,001,632 goes into the fund from the various departments for depreciation.

D. Leisure Services Enterprise Fund

1. Overview (Including Business Plan Outline)

Mr. Elwell summarized the reasons for creating the Leisure Services Enterprise Fund with the overall goal of being as profitable as possible with the development of a business plan to be presented to the Mayor and Town Council later this summer. He referred to the business plan outline which will be developed to include: 1.)Executive Summary; 2.)Business Description (for each activity - marina, golf, tennis, and recreation programs); 3.)Financial Data; and 4.)Recommendations.

2. Individual Review of Component Functions

a. Golf (including proposed rate increases)
b. Tennis (including proposed rate increases)
c. Recreation
d. Marina (including proposed transient rate increase)

Mr. Elwell, referring to the contractual agreements with the Golf Pro and the Tennis Pro, said he is looking forward to some adjustments in the terms of the financial relationship with the Golf Pro bringing a positive and negative incentive into the golf course manager/Town employee portion of the relationship where Mr. Dytrych would have a financial stake if the Town turned a profit or showed a loss. He added that adjustments have been considered for the financial arrangements in the existing concession agreement with the Town, and details of that arrangement will be included in the business plan which, when presented, will forecast a $30,000 profit for FY2004.

Mr. Elwell said similar arrangements will be negotiated with the tennis professional. He noted that the adult programs costs within the Recreation Department are covered completely as required by ordinance with slight adjustments made from time to time to increase fees.

After discussion of the fee schedules, **the Committee recommended the approval of the golf and recreation fees with the fees for the tennis program to be presented at the August Town Council meeting** ***(later in the meeting it was determined the rates for the Tennis program would be presented at the July 8th Town Council meeting).***

After discussion regarding the addition of a fourth tennis court at Phipps Park, **the Committee recommended construction of the tennis court at Phipps Park with funding for approximately $80,000 from the Leisure Services Fund.**

Tennis Professional James Hay commented on the layout and condition of the Seaview Park tennis courts which are not competitive with some of the other tennis facilities in the area. He added the newer Phipps Park courts are preferred by tennis players.

Councilman McDonald commented that the Seaview courts are the worst facility in Town because of the time required to retrieve and return balls on or for the other courts, no shade is provided, and little water is available. He continued that to raise fees at Seaview is a misjudgement, and many players have left Palm Beach to play in West Palm Beach at Howard Park.

Mr. Elwell stated the purpose of the Leisure Services Enterprise Fund that includes the Golf, Tennis, Recreation, and Marina line items is to have them free of ad valorem tax revenue and be self sufficient within the group, although some line items will make money and others will not.

Mr. Elwell speaking to the issue of constructing a fourth tennis court at Phipps Park, said the issue of the overhead electrical lines has been resolved with FPL; however the staff's recommendation would be to finish the total project at a cost of $525,000 from the Leisure Services Enterprise Fund, but to do that a few years out from now. He said the elapsed time would allow evaluation of the Fund and how well it will be functioning. He said he would like to see the Committee consider the 'piece-mealing of the project vs. the finishing it in one go' question with the issue of the $80,000 being spent for one tennis court at this time and the possibility of spending several hundred thousand dollars more to finish the total project at a later date.

Councilman Wyett suggested after hearing the condition of the Seaview Courts, the Town Council consider renovating the Seaview Courts in 2007.

Tennis Pro Jim Hay responded when the Seaview Courts are redone, possibly one or two courts may be lost in the re-designing of the courts.

Mr. Brooks said if the Town had six courts at Phipps to use for tournaments, etc., the number of courts at Seaview could be lowered.

Mayor Smith questioned if the Town employed a dockmaster on the weekends?

Dockmaster Jon Luscomb responded the Town has employed people at the docks for six or seven years with the hours of operation from 8 a.m. to 7 p.m. in the summer. He added evening hours have been extended to allow for the delayed bridge openings.

The Committee recommended increasing the proposed marina fees as follows: increase winter (October 1 through May 15) from $1.62/ft/day to $1.95/ft/day plus electrical charges in excess of 100 amps and summer rates (May 16 through September 30) daily transient rate from $.65/ft/day to $.90/ft/day plus all applicable electric charges.

Mr. Elwell pointed out that the Leisure Services Fund, with everything that is proposed to be done in its new form this year, will make money in the operating budget, and a transfer to the Capital Improvement Fund is recommended for the construction of the capital improvements that have been recommended with the end result being a balance of $4.4 million at the end of FY2004 in retained earnings. He added that, in future years, the fund will be healthier.

E. Internal Service Funds

1. Risk Management
2. Health Insurance

Finance Director Jane Skittone reported the proposed FY2004 budget has a 1.15% increase for self insurance, workmen's comp, liability, and property with the Health Insurance Fund increasing 20% with part of that required to set up a contingency fund for $500,000. She continued that the contingency fund will provide for a contingency reserve that will be appropriated annually for unanticipated expenditures of a nonrecurring nature and/or to meet unexpected increases in health insurance costs and claims exposure, and provide a clear guideline for the use of the Contingency Reserve

The Committee recommended the approval of establishing a Health Insurance Fund Contingency Policy.

F. Trust and Agency Funds

1. General Employee Retirement Fund
2. Public Safety Retirement Fund

Ms. Skittone explained the proposed budget contains $1.7 million contribution to those funds or a 98% increase over FY2003.

VI. REVIEW OF LONG-TERM FINANCIAL PLAN

Mr. Elwell reported the Town is in terrific financial shape with the future looking better.

Ms. Skittone said the major assumptions used to prepare the forecast were: Taxable Value, Investment Yields, General Inflation, Salaries and Wages, and Employee Benefits. She continued that, for the Risk Insurance premiums, Property Insurance was estimated at 5% per year, Liability Insurance at 10% per year, and Worker's Compensation at 10% per year. Ms. Skittone said the General Fund Contingency Fund was budgeted at 2% from FY2005 through FY2008.

Ms. Skittone said she will be preparing an update to the Long Term Financial Plan to be handed out in September reflecting the changes made and presented at this meeting.

Ms. Skittone reviewed the summary of department requests for FY2005 through FY2008.

Mr. Elwell added the perception of deferring of certain items until FY2005 resulting in increased revenue requests should not be viewed as an intention to fund the items but rather as the need to weigh them against each other to determine priorities at that time.

Mr. Goldblum suggested the issue of providing beach tags for non-residents who want to use the Town's beaches should be investigated.

Mr. Elwell responded that staff could do that, but based on the funding assistance the Town receives from the State for the beach program, the expectation would be the Town could not charge a differential fee to non-residents.

Mr. Wyett suggested charging an entrance fee to Phipps Park only in lieu of the parking meters that are currently there.

Ms. Skittone mentioned that in FY2005 with all the requests and using the tax appraiser's earlier numbers for estimation purposes, if the forecasted budget was reduced by $670,000, the result would be a zero percent millage rate increase. She added that staff plans to make recommendations in the future regarding the Leisure Services Enterprise Fund with the presentation of a business plan in either August or September.

Ms. Skittone said the Risk Insurance Fund is being reviewed and the possibility exists that a recommendation may be made to increase the levels for catastrophic losses to that fund. She said that close to the end of FY2004, the staff will be prepared to present a reserve policy for post employment benefits and for rate stabilization purposes although that fund has a healthy reserve of $15 million that has been accumulated for that purpose of post employment benefits.

VII. ANY OTHER MATTERS

There were no other matters.

VIII. ADJOURNMENT

The meeting was adjourned at 1:00 p.m.

William J. Brooks, Committee Chairman

Norman P. Goldblum, Committee Member