**MINUTES OF THE COUNTY BUDGET TASK FORCE**
**HELD ON WEDNESDAY, JUNE 23, 2010**

## I. CALL TO ORDER AND ROLL CALL

The meeting of the County Budget Task Force was called to order at 9:00 a.m. on Wednesday, June 23, 2010, in the Emergency Operations Center, 355 South County Road, Palm Beach, Florida.

On roll call, the following members were found to be present: Chairman Jack McDonald, Erica Elliott, Bobbi Horwich, Bruce McAllister, and Jere Zenko. Members Tim Moran and Stuart Shulman were absent. Staff members present were John C. Randolph, Town Attorney, and Thomas G. Bradford, Deputy Town Manager.

## II. PLEDGE OF ALLEGIANCE

Chairman McDonald led the Pledge of Allegiance.

## III. APPROVAL OF AGENDA

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

## IV. APPROVAL OF THE MINUTES OF THE MAY 27, 2010, MEETING

Motion to approve the minutes of the May 27, 2010, County Budget Task Force meeting as corrected was made by Mr. McAllister, seconded by Mrs. Horwich, and unanimously approved.

## V. UPDATE ON TOWN COUNCIL ACTION IN REGARD TO TASK FORCE REQUEST FOR TASK FORCE ASSIGNMENT TO BE FACT FINDING

Chairman McDonald stated that at its June 22 meeting, the Town Council considered the request of the Task Force to have it designated as fact finding only, which would have removed it from the provisions of the Sunshine Law. He further stated that after remarks by Mr. McAllister and others, the Council decided to keep the Task Force under the purview of the Sunshine Law. He said there was also discussion about dual membership on the Task Force and a political action committee formed privately, and it was agreed that it would be a conflict or could raise Sunshine Law issues. He reported that Mr. McAllister had stated that he would resign from the other committee to remain on the Task Force and had followed up that decision with an email resignation. He further reported that Mrs. Horwich had also resigned from the PAC which left Mr. Shulman as the only remaining member on both committees and he would not have to resign from the PAC.

Chairman McDonald informed the Task Force members that the Town Council had said that boards/commissions could not conduct their meetings via conference calls. He said he asked the Council to reconsider its decision and, later in the meeting, they agreed to exempt the County Budget Task Force from the requirement for the next four-to-five months.

## VI. CHAIRMAN'S REPORT - RECENT COUNTY BUDGET MEETINGS

Chairman McDonald remarked on recent meetings he had attended. He reported that he, Pat Cooper, and Ned Barnes had attended the Palm Beach County Commission meeting and spoken against the implementation of a sales tax for fire-rescue services. He stated that the Commission originally voted 4-3 approving the placement of the proposal on the ballot; but, subsequently, the County Manager asked that it be pulled off until issues with the proposal were resolved. He said it would probably be placed back on the agenda for consideration in 2012.

Chairman McDonald reported that he, Tom Bradford, Pat Cooper, and Ned Barnes had recently attended a small meeting of the Economic Council where County Administrator Bob Wiseman had spoken about the proposed county budget. Handouts from the meeting were distributed via email to Task Force members.

## VII. PRESENTATION BY PAT COOPER, CIVIC ASSOCIATION TAX COMMITTEE

Mr. Pat Cooper gave a presentation on the activities of the Civic Association's Tax and Finance Committee. He stated there is a sense of urgency on some of the issues, such as the sales tax because it is not going away. He said he believed it would take an alliance with other communities around Palm Beach County to engage the County Commissioners in understanding the concerns and make an impact. He suggested the sales tax issue could be used to rally support at a Commission meeting.

Mr. Cooper proposed five mission statements:

1) To espouse responsible governance in the Palm Beach County budgetary process including significant, if unpopular, actions in curbing spending.
2) A review of the growth of expenses by department and the concomitant benefit costs moving out a ten year period to ascertain the sustainability of the current programs.
3) An outreach to other Palm Beach County communities to share our own experience and the results of our research.
4) An outreach to Palm Beach County Commissioners to express a general concern about the governance under the Commissions' stewardship.
5) Engage the news media and provide educational forums throughout the county to discuss the budget.

Mr. Cooper stated that the Town would have to do something with its own budget to show political will and not show a budget deficit in year five or ten. He explained this would provide credibility to forming an alliance with other communities.

Mr. Cooper gave the pros and cons of the proposed sales tax saying that the issues include if the municipality's current funding dynamics include a return on their investments. He shared his personal concerns with the tax and the rush to place it on the ballot. He talked about the lack of "feedback" from the County Commission when he or the Mayor spoke.

Mr. Cooper briefly reviewed a chart of Applicable Taxing Authorities to Palm Beach Residents (millages only) and Total Property Tax Rates. He stated that the Town had held flat its millage from FY09 to FY10, but the amount being sent to Palm Beach County had increased by 15%. He explained that of the 43% millage rate for the Palm Beach County Schools, 30% went to the state and 13% went to the local schools. He said he would like to see the millage chart updated for this year because it provides a useful history.

Mr. Cooper stated that County Administrator Bob Wiseman had broken down the budget at each level and stated that the sheriff believes that he cannot, by Constitution, lower the benefits or salaries of his employees. He explained that the Palm Beach County Commission decides how much money to allocate to the sheriff's department but the sheriff decides how to spend it. Mr. Cooper reported that the proposed new millage rate for the County is 4.926 (up from 4.344 in 2010). He said that homeowner's homestead evaluations continue to be adjusted upward and they will have a tax increase if millage rates go up.

Mr. Cooper reviewed a graph of the Palm Beach County 2010 budget cumulative percentage increase noting that the property appraiser's office had a 23.3% overall increase and that the population and CPI increased by 28.1%. He explained that it profiles against County increases that had come down dramatically, not including the sheriff and the fire-department. He noted that Mr. Wiseman had said that the general employees had taken a bigger hit than anyone else.

Mr. Cooper stated that the Task Force members had received the 2006 study performed by Florida Tax Watch. Highlights of the study were discussed. Mr. Cooper suggested that Task Force hire someone from Florida Tax Watch or join with someone, such as the Economic Council, to refresh the study. Reserves and bond ratings were discussed.

Mr. Cooper reviewed his Task Force Considerations suggesting that the Task Force may want to expand their role from that of review of the County budget to one of educating the population about relevant issues, such as the sales tax, the shore/beaches, and other issues; not just numbers. He said there is a dichotomy between the budget proposal and the audited financial statements. He explained that you cannot analyze the two because they are done in different programs. He said Florida Tax Watch could do this. He spoke about the need for an outreach program starting with the four towns that rejected signing the interlocal agreement for the sales tax and using any lobbying groups they may have to help. He suggested the Task Force members leverage Florida Tax Watch and use existing information, businesses, PACs and the Economic Council.

Chairman McDonald asked Mr. Cooper if he would provide the Task Force members with a copy of the letter from the assessor.

Mrs. Horwich thanked Mr. Cooper for his great report. She reported that three newspapers had run editorials saying the sales tax was not fair, and she believed the League of Cities came out against it. Mr. Cooper said he would like to see the legislation removed from the books. He stated that the firefighter's union is positioning this legislation and believe they can answer the issues. He further stated that no one wants to be left out of the money if it is approved. He expressed concern with the lack of oversight of the money.

Mr. McAllister asked about organizations that focus on taxes, expenses, and local governmental issues. He said he is in favor of the idea of an alliance but there was a need to focus on issues that will get attention. Mr. Cooper responded that Florida Tax Watch could help with the process and be used to refresh their study rather than delve into new issues. Chairman McDonald replied that he would ask Florida Tax Watch to speak at the next meeting. Mrs. Elliott said she was thinking of a broader concept that sales tax fits into, such as fiscal responsibility in terms of the County budget and what they are doing with their current funding. She said there are always ways to build in new efficiencies. Mr. Cooper agreed that accounting was a huge issue. He said that his biggest issue was governance; double digit increases in taxes for citizens are unsustainable and unacceptable.

Chairman McDonald thanked Mr. Cooper for his presentation.

## VIII. <u>REVIEW ATTENDANCE FOR COUNTY BUDGET WORKSHOPS</u>

Chairman McDonald asked for short-term objectives. Mrs. Zenko reported she had watched a replay of the June 16 County workshop and Karen Marcus seemed to imply that she was looking for an additional $12 million worth of savings. She further reported that there were people lobbying to keep their benefits, particularly Palm Tran. Chairman McDonald asked if the Task Force should speak at the next County workshop on July 12. Mrs. Zenko responded that she believed at some point the Task Force should announce its presence: we exist, this is what we are doing, what we intend to do, our agenda, and what we intend to accomplish. Mr. McAllister replied that first the Task Force has to tell the County Commissioners something they don't know or that everyone cares about and for that it needs allies. He stated that there must be some issues where the Town of Palm Beach can say it doesn't want these services or wants the services reduced and doesn't want to be taxed for them, and then find other communities that can say similar things. Mrs. Elliott said if the Task Force wants any influence on the County budget they need to attend the July 12 budget workshop and come with lots of questions and solutions. She stated she was interested in pursuing contacts with consultants to get solutions to present to the County.

Mr. Lew Crampton suggested the Task Force needed a "marketing focus;" a standard against which to hold the County Commissioners which revolves around the definition of fiscal responsibility. He proposed five expectations for the County Commission to be fiscally responsible:

1) Vote for balanced budgets.
2) Avoid programs that are not actuarially sound.
3) Avoid programs whose costs are not firmly projected in advance of passage.
4) Avoid debt financing that imposes heavy obligations on present and future generations.
5) Can be expected to serve as effective advocates for sound budget and fiscal policies within their organizations.

Councilmember William Diamond said that the Task Force had to concentrate on something specific, such as the bed tax. He stated that it should be publicized that some of that money should come back to the Town proportionately for the replenishment of the beaches. Chairman McDonald replied that the County is not required under State Statutes to provide the Town with the amount of bed tax it collects from the municipality. He said he had written a letter to the Anne Gannon but was not able to get information on how much money is collected from Palm Beach. He stated that to his knowledge, the Town had never received any shore protection money back from the County as part of the 12% that was to be used for beaches. He suggested the Task Force try to get the amount. He proposed that a letter be written to the larger hotels and ask how much they are sending to the County in bed tax money. Mrs. Zenko added that the realtors would have information on short-term leases (which also pay a bed tax). Mrs. Elliott suggested an estimate could be created by calling the realtors to ask about the number of short-term leases and getting the number of beds at the hotels. She said she could get that information. She questioned if there was an external audit of these taxes and if there was a deficit of collection. Mrs. Horwich asked if another letter could be sent to Anne Gannon requesting the information. Chairman McDonald asked Attorney Randolph to check on what information the Tax Collector is required to provide and also advise if what the Town receives meets the requirements of the County or State. He said if the information is not received, then the Task Force can proceed with contacting the hotels and realtors.

Saying that the July 12 workshop is a key event in the County budget process, Mr. Bradford commented that most of the decisions on the budget are made at the first budget meeting and not at the second in September. He suggested in conjunction with going to the meeting, a letter be written to the Commission, with copies to Mr. Weisman and every elected official in the county. He explained that the letter could include the expectations of the Task Force and would state that it is unacceptable to have two years in a row of double digit tax increases that land on the homesteaded property owners who are the voters of Palm Beach County. He said it would let everyone know that the process has begun. The Task Force members agreed with the letter. Following discussion of the letter and remarks on its contents, Chairman McDonald asked Mr. Crampton if he would work with Mr. Bradford to draft the letter and circulate it to each Task Force member. He said that Task Force members should respond with revisions to Mr. Bradford. Mrs. Zenko suggested that the letter not get too broad. She explained that there is big disagreement about what is actuarially sound. She spoke about the various percentage figures used by each municipality and how they differed. She recommended this not be an issue with the

County when it had not been resolved by the Town. Chairman McDonald stated that he would be out of the country for the next two weeks and the finalized letter should be stamped with his signature. Mrs. Elliott asked about the designation of a vice-chairman who could approve the final letter. Chairman McDonald replied that he was going to select someone at this meeting but he was not sure what the composition of the Task Force would be as a result of issues with the Sunshine Law and a possible conflict with members being on two committees He stated that if the Task Force had not remained under the Sunshine Law, he would have resigned as Chairman. Attorney Randolph said it was okay for Mr. Bradford and Mr. Crampton to send out the letter but it was not okay for a member of the Task Force to be involved and see everyone's comments. The Task Force members agreed that the delegation of the letter would be to Mr. Bradford and Mr. Crampton. Attorney Randolph reminded the members that their comments would be public record.

Motion was made by Mrs. Zenko, seconded by Mr. McAllister, and unanimously approved to send a letter to the County Commissioners with copies to board members of all municipalities within the County informing them of the Task Force's existence, its intent, and hope that they will join with us.

There were no other short-term objectives discussed.

## IX. MEMBER RESEARCH REPORTS:

Mrs. Zenko reported that her health care report was incomplete. She stated that the County had made an effort to increase their recovery of costs by some 8%. She reported in 2010, their fund rates were 90/10 of a total $56 million and going into 2011, while the gross went up around $62 million, their recovery will be $11 million, which means they have, in effect, doubled their cost recovery. She said it is a $50 million pot from which we should be getting a further recovery. She stated that it was apparent in their co-pays and what they charge that their recovery would be better their expenses would be fewer if they increase their pricing. She reported their co-pay is $20. She suggested there was a lot of recovery if their plan was designed in a better way. Chairman McDonald asked if there was time to formulate conclusions for this budget period (July 12). Mrs. Zenko responded that there had been no discussion on the information because the County is in negotiations with public safety. She stated the County is primarily on HMO, which is less cost, and there are very few people in other plans such as PPO.

Mrs. Elliott summarized the two-page report that had been provided to the members. She said that taxpayers tend to assume that an external audit is really to find fraud and that is not the case. She explained that an external audit if done by an independent auditor is making an assumption that the entity is applying its own internal controls and processes in an accurate way. She stated that a third-party consultant could be hired on a contingency basis to look in their areas of expertise for missing revenue and reduce expenses in practical ways. She gave the gas tax as an example asking how the County checks that they are collecting what is rightfully theirs from every gasoline station in the County. She said there are significant savings. She stated that the Task Force could be a factor by finding solutions and identifying people that would be willing to work with us. She further stated that the power of alliances is needed to get the County to agree to hire consultants on a contingency basis.

Mrs. Elliott shared a copy of an article from the Association of Fraud Examiners. She reported that the last report from the Association said that every organization surveyed in 2010 that 5% of their revenues were lost to fraud from inside their organization. She gave examples of lower level scams that end up hurting the system. She stated that the County needs to be questioned about their internal processes dealing with fraud and then suggest solutions to enhance what they have done. Mrs. Zenko asked if this would become the context of another letter to the County and the other municipalities. Chairman McDonald agreed it was a good idea and could become a second letter. Mr. McAllister volunteered to check with the local state attorney about the fraud investigation prosecution processes and personnel now. The Chair asked Mrs. Elliot to think about the contents of a future letter. Mrs. Zenko suggested Mr. McAllister ask about any on-going investigations.

Mr. McAllister asked Mr. Crampton if it made sense to devote attention to pensions without taking the entire compensation package into account. He said it may be that the pension package was used to make up for other compromises on the benefits side. Mr. Crampton stated that focusing on pensions is a worthy effort. He explained that by going through pensions for our community the Task Force would become familiar with what the County had done. He said the Task Force needs to tell the County what it expects from them and that it intends to reach out to other communities with similar concerns. He added that he would go for a broader approach and not make pensions the absolute focus. Chairman McDonald suggested the Task Force delay this issue until the Town has completed its decision on pensions.

Mr. McAllister spoke about the theory that public employees are higher paid than private employees on average. He said it may be true on a complete top-to-bottom average but the higher compensation in the public realm is concentrated on the lower end of the economic scale. He explained that if you simply correct the imbalance, it would hurt a lot on the lower economic part of the scale.

In response to Mr. McAllister's remarks, Mrs. Zenko referenced a Jupiter Island memo she had distributed. She explained that the vice mayor plans to protect lower paid employees and they are given some priority in terms of the plan. She praised Jupiter Island's plan saying they put in a stop loss sale as of September 30, 2009, and froze the defined benefit plans. She spoke about Jupiter Island's Plan compared to the Town's plan. She also spoke about a blog entitled "West Palm to Spend $40K to Look at Pensions" and the problems with it.

## X. DISCUSS PROPOSED COUNTY BUDGET

Chairman McDonald stated that he was removing from the agenda the discussion regarding the proposed County budget.

XI. SCHEDULE MEETING FOR JULY

The next meeting of the County Budget Task Force was scheduled for Thursday, July 15, 2010, at 10:00 a.m. in Town County Chambers. Chairman McDonald asked Mr. Bradford to arrange a speaker from Tax Watch. Mr. McAllister stated that he would be away for the summer. Chairman McDonald replied that Mr. McAllister could participate by phone.

XII. ANY OTHER MATTERS

Mrs. Elliott asked about attending the July 12 County budget workshop. Attorney Randolph suggested a representative could be sent to the meeting to speak to the letter. Mrs. Elliott volunteered to attend for four hours. Chairman McDonald reported that the meeting would be held on Monday, July 12, at 9:30 a.m. and that the agenda would be sent to the Task Force members. Mrs. Zenko said she would be able to attend the meeting. Chairman McDonald asked Mr. Bradford to work out a time schedule with Mrs. Zenko, Mrs. Elliott and himself for attendance at the meeting.

XIII. ADJOURNMENT

There being no further business to discuss, the County Budget Task Force meeting of Wednesday, June 23, 2010, was adjourned at 3:27 p.m.

APPROVED:

Jack McDonald
Chairman