

# TOWN OF PALM BEACH

Office of The Town Clerk

## REPORT OF THE FINANCE & TAXATION COMMITTEE MEETING HELD ON MONDAY, APRIL 27, 2009

### I. CALL TO ORDER AND ROLL CALL

The Finance and Taxation Committee meeting was called to order on Monday, April 27, 2009 at 10:00 p.m. in the Town Council Chambers. On roll call, all members were found to be in attendance.

### II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chair Wildrick.

### III. APPROVAL OF AGENDA

The Agenda was approved with the following modifications to the order of speakers:

Chair Wildrick announced the new order of speakers as Jere Zenko, William Cooley, Tim Moran, Stuart Shulman, Tony Bohannon, Al Parvin, and Owen Larkin.

### IV. **OPENING** STATEMENTS BY COMMITTEE CHAIR AND TOWN MANAGER

Chair Wildrick outlined the procedure for the meeting. He asked that the Committee and the audience hold any questions until the end. Citizens would be permitted three minutes to speak after the presentations. Each presentation would last 15 minutes. Chair Wildrick stated that each of the seven advisors were chosen for their expertise in areas of the Town Budget. He thanked them all for serving valiantly. They, and the staff have worked together very well even though they may not always have agreed. Chairman Wildrick indicated that today's meeting was a fact finding meeting. He

announced that the next Finance & Taxation Committee meeting will be June 16, 2009, at which time the Town will present its budget. In July the Committee will make its recommendations to the Town Council. He stated that he enjoyed working with Town Manager Elwell and stated that he was very open, candid and very willing to help.

Chair Wildrick noted that the town revenue for 2013 would be approximately \$70 million dollars and the expenses are projected to be \$75 million. Unless the Town takes actions now, there will be a deficit and this deficit would continue to grow. It is a very serious matter, and there would not be any monies for capital expenditures to maintain the Town.

Town Manager Elwell echoed the comments about the process and thanked the Chair for the opportunity to work with the citizens and to try to maintain levels of services. They have received good insights from the citizens and this had been a healthy process. With regard to the FY 10 budget, the Long Term Financial Plan outlined some of the shortfalls and what the Town was already beginning to implement. In the first round, the Town Departments have cut their budgets an additional \$850,000 for FY 2010. There are some ideas that have not been implemented yet but may result in additional savings as the budget process continues.

Member Rosow stated that he has not been updated on any of the data. He stated however, that Palm Beach is not isolated in this budget crisis. Every municipality and government is being faced with the same issue today. The question is how to keep the same level of service with a decreasing revenue. Property Taxes are only 2/3 of the revenue stream. Other sources are parking tickets, permits, building and zoning fees etc.

Chair Wildrick announced that Council Members Coniglio, Kleid, and Diamond were in the audience.

V. OBSERVATIONS BY CITIZEN SPECIAL ADVISORS TO THE FINANCE AND TAXATION COMMITTEE  
BENTON BOHANNON  
WILLIAM COOLEY  
OWEN LARKIN  
TIM MORAN  
ALVIN PARVEN  
STUART SHULMAN  
JERE ZENKO

Jere Zenko thanked Jane Struder, Finance Director; William Crouse, Human Resources Director, and new hire Danielle Olson, from Human Resources for all of their assistance and hard work. Ms. Zenko commended them all for their help. She provided a background and overview of the health insurance premiums and benefits paid to Town Employees and retirees. She further described cost saving initiatives undertaken and

1 completed by Town Staff, potential cost savings, consideration of increasing current  
2 Medicare retiree and dependent reimbursement levels, consideration of increasing current  
3 retiree (non-medicare) and dependent reimbursement levels, and the OPEG trust. A  
4 copy of her report was submitted into the record.

5  
6 Member Rosow asked Ms. Zenko for her recommendations: she suggested  
7 keeping the health care consultant Arthur J. Gallagher Company, looking hard at  
8 increasing the health insurance deductible to \$500 and \$1000 per employee, and consider  
9 private health accounts for employees. She felt this would stop employees from running  
10 to the doctor constantly.

11  
12 Chair Wildrick stated that there simply cannot have any budget that would show a  
13 deficit within 2 years. It cannot happen.

14  
15 The next speaker was William Cooley. Mr. Cooley thanked the Committee on  
16 implementing methods and procedures that would result in operation savings in Public  
17 Works. He commended Director of Public Works Paul Brazil and Assistant Director Eric  
18 Brown for their assistance. Mr. Cooley also met with Daniel Bates from Palm Beach  
19 County. He stressed that this was only one man's opinion and not all of his  
20 recommendations need to be implemented immediately. He submitted a copy of his  
21 report into the record. His primary recommendation was to consider the process of  
22 privatization with a few test programs. He estimated that a potential total annual savings  
23 would be \$4 million per year. Town could realize savings of future liabilities and savings.  
24 Mr. Cooley thanked the Committee for the opportunity to serve the Town.

25  
26 Council Member William Diamond, 220 Wells Road, commented on Mr. Cooley's  
27 statements and agreed with him. He stated that the employees and the bids could have a  
28 "competition" to keep their jobs. He asked Town Manager Elwell to look into the GSA  
29 practices. He also directed the Town Manager to have privatization become part of the  
30 Strategic Plan of the Town. He indicted that there would be immediate savings.

31  
32 Tim Moran was the next speaker and was assigned to look into the Police and Fire  
33 Department budgets. Mr. Moran thanked the Committee and both Chiefs for their  
34 cooperation. After careful review of the budgets of both departments, He agreed with the  
35 idea of maintaining the same levels of service. He suggested that the departments should  
36 consider combining some jobs as mechanics etc.

37  
38 Acting Police Chief Richard Howe gave a Power Point Presentation to the  
39 Committee. A copy was submitted into the record concerning the current and future  
40 police department budgets. Chief Bill Amador also gave a Power Point Presentation  
41 regarding the fire department. A copy was also provided for the record. Chair Wildrick  
42 thanked both Chiefs for the tough process and appreciated the job that the departments  
43 do. Chair Wildrick asked both Acting Chief Howe and Chief Amador how they would  
44 resolve the pension issue in the future. He replied that he has reviewed town operations  
45 and looked at possible costs savings through fleet maintenance. The Fire Department  
46 could outsource fleet maintenance through attrition. He noted that the City of West Palm

1 Beach did that last year. Chief Amador has been speaking to other municipalities about  
2 this as well. The pension system is the large bulk of the monetary cost, Chair Wildrick  
3 said and asked for solutions.

4  
5 Chief Amador recommended that they could reduce special assignment overtime  
6 and - reduce it so that does not count toward pension income. He mentioned that his  
7 employees are union and may fight it. A new tier that is similar to FRS - use existing plan  
8 at reduced benefit for future employees. Town Manager Elwell stated that the senior  
9 management team is working on operating budgets. The numbers are preliminary  
10 requests from the two largest departments.

11  
12 Member Rosow asked Chief Amador why there are fire trucks at Publix a lot of  
13 the time. The crew is on duty 24 hours, they also needed to eat. Member Rosow asked  
14 about outsourcing, and a way to be using a private vendor to do the transport after the  
15 scene is secured and could that be an alternative. Most private entities would not be on  
16 the island - and would have a longer response time. The care of the patient would  
17 decrease. Chief Amador indicated that in the past, there were only critically patients  
18 transported by Palm Beach Fire Rescue, and the rest were privately contracted  
19 transporters and the residents revolted.

20  
21 Member Rosow asked Acting Chief Howe - in looking at budget comparisons and  
22 asked why two of the internal detective departments could not be combined. Acting Chief  
23 Howe responded that the general detectives do smaller crimes and special investigations  
24 do narcotics and white collar crimes and if Palm Beach did not investigate them, other  
25 agencies would not.

26  
27 Chair Wildrick again thanked both chiefs and he stated that the Town has the best  
28 group of employees. They all give great service. He reiterated that this is a tough  
29 situation and they need to find the money. He stated they should all take a look at the  
30 well being of the entire town. This is not a matter about the quality of employees within  
31 the Town.

32  
33 The next speaker was Stuart Shulman, 2280 S. Ocean Blvd. He stated that  
34 everybody should have a cost on Public Works. According to him, he was presenting ed  
35 a "Blood and guts" version of the costs of running Public Works. A copy was submitted  
36 into the record. Mr. Shulman complimented Paul Brazil, Public Works Director and his  
37 staff for their hard work and professionalism. He said it was impossible to cut anything  
38 further from the budget, and if it were up to him, he would *increase* the budget. Mr.  
39 Brazil said the majority of the money is in sanitary system with improvements and  
40 rehabbing of the pump stations and a neumatic system on the south end that is 50 years  
41 old and needs replacing.

42  
43 Chair Wildrick asked Mr. Brazil what really would be needed. Mr. Brazil  
44 indicated a proper program would be considerably larger. The Town has developed a 25  
45 year plan and this data only reflected a 5 year plan. With regard to the ECR Plant, that the

1 Town is part owner of and is where the Town pumps its wastewater to, it would require  
2 approximately \$8-9 million to maintain the plant.

3  
4 Town Manager Elwell added that the ramping of the funds is essential but it is  
5 difficult when the budget needs to be cut at the same time. Member Rosow informed the  
6 audience that the Town has tried to do pay as you go and maybe now is the time to begin  
7 financing projects. It does appear that the Town may not have the funds for the long term  
8 expenditures.

9  
10 Mr. Tony Bohannon presented a Power Point presentation to the Committee and a  
11 copy was submitted into the record. He outlined his observations about the Planning and  
12 Zoning Commission. His recommendation would be that Senior Management needs to be  
13 more aware of the costs and what the performance levels are. His recommendations were:

14  
15 Expenditures

- 16 1. Dept. Management have full responsibility for allocated staff costs  
17 2. Set a goal to cut contractual by 40% for example- landmarks consultant.  
18 3. Halt the trend line in wages and benefits and perhaps change the levels  
19

20 Revenues

- 21 1. Re-consider the fee reductions of 2008 to insure they have not been reduced too far.  
22 2. Added revenue e.g. charge for revision of plans.  
23

24 Member Rosow said the Town can always raise taxes, even though Chair  
25 Wildrick did not want to. The citizens had been fabulous in identifying issues in the  
26 Town.

27  
28 Jere Zanko thanked Chair Wildrick for his remarks. She stated that Mr. Kleid and  
29 the Town Manager talk about level of service a lot. She said that most residents live  
30 somewhere else for part of the year and does it matter if the service is not as effective in  
31 other areas - not really. Chair Wildrick asked her to not nit pick issues.

32  
33 Al Parven, from the Civic Association, spoke about the pension benefits to the  
34 Town. Mr. Parven thanked Finance Director Jane Struder for her help. Mr. Parven  
35 presented a Power Point presentation to the Committee. A copy was submitted into the  
36 record. He noted substantial increases across the board for all classes of employees. His  
37 recommendation was to implement a defined contribution plan for all existing and future  
38 employees, or consider a hybrid plan. His suggestion would be to retain a consultant to  
39 flesh out the details of any plan.

40  
41 Member Rosow stated that the Town Council needed to make the benchmarks and  
42 the consultant should do the scenarios. Mr. Parven was asked for his specific  
43 recommendations. He stated that this was very complicated and that the current pension  
44 system was unacceptable. He suggested tweaking the existing employees pension plan,  
45 but substantially commit to changing new employee benefits. Member Rosow said he  
46 wanted Palm Beach to be the leader.

1  
2 Council Member Diamond indicated he wanted to have a high amount of  
3 outsourcing and would it positively impact the benefits. Mr. Parvin responded that his  
4 analysis only reviewed the number of current employees. Member Rosow discussed  
5 legacy costs. Member Diamond stated that you can fire people. Town Manager Elwell  
6 indicated the down side to privatization savings is closing the plan and totally creating a  
7 new option. There still be decades of obligations to those employees with no revenue  
8 source. Chair Wildrick responded and stated that it would be 100% wrong to continue a  
9 pension plan that is not good. To cut and outsource to fund the current plan, and you will  
10 have the same problem in the future. He stated that the Town was doing triage now, but  
11 needed to stop the bleeding and the find a cure to the disease.

12  
13 **Chair Wildrick stated that he would like to have the Town Manager prepare**  
14 **language for an RFP for a finance consultant at the May Town Council Meeting.**  
15 **The Finance and Taxation Committee agreed to make a recommendation to the**  
16 **Town Council to authorize the RFP.**

17  
18 The next speaker was Mr. Owen Larkin. He stated that he has worked with Town  
19 Manager Elwell and appreciated all of his time and efforts. He met with the Town  
20 Manager regarding the overall Town Budget and then he met with Chair Wildrick. There  
21 was no value judgment on what Councils from the past did. He also looked at the LTFP  
22 (Long Term Financial Plan). He stated that he kept his scope to the direction of the  
23 Finance and Taxation Committee. He announced that the Town Manager, Deputy Town  
24 Manager and the Assistant Town Managers all have Masters Degrees. In his opinion, the  
25 current system is unsustainable.

26  
27 Chair Wildrick thanked Mr. Larkin. Member Rosow asked Mr. Larkin for his  
28 specific recommendations. Mr. Larkin stated that the Town Council needs to give clear  
29 and direct policy to staff and hold them to a guideline to get back to them with actions.  
30 Make everybody perform.

31  
32 Council Member Diamond asked Larkin if privatization was a good option for the  
33 employees. Mr. Larkin responded that area was not his assigned scope. He stated that  
34 Member Diamond obviously has a strong opinion of it. Member Diamond responded to  
35 Mr. Larkin by stating that he needs to look at entire politic of town and the town needs a  
36 reduction of force.

37  
38 Council Member Kleid responded to the topic of privatization and feels that it  
39 should be looked at, but the Town prides itself on service that is above and beyond what  
40 is provided in other towns. Chair Wildrick stated that the problem with the Town  
41 Council is that they are not responsible for the management of the Town- the Town  
42 Manager is. The responsibility to resolve the problem is with the Town Manager. In  
43 reality, two years from now the Town is going to have a huge problem. The Town  
44 Manager should come to Town Council with recommended solutions.

1 Council Member Kleid asked Mr. Larkin whether they should reduce the size of  
2 the police and fire departments. He informed Mr. Larkin that it has been the policy of the  
3 Town of Palm Beach to have our police number one in compensation in the county. Mr.  
4 Larkin felt this was an artificial barrier to allow another city to drive the mandate. Mr.  
5 Larkin commented that many of the other speakers went outside their assignments.  
6  
7

8  
9  
10  
11 VI. OVERVIEW OF FUTURE STEPS IN THE FY10 BUDGET PROCESS  
INCLUDING DATE OF NEXT FINANCE AND TAXATION COMMITTEE  
MEETING

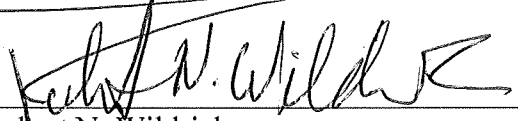
12  
13 The next Finance & Taxation Meeting will be held on June 16, 2009. the location  
14 will be announced at a later date.

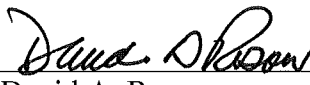
VII. ANY OTHER MATTERS

15  
16  
17 There were none.

VIII. ADJOURNMENT

18  
19 There being no further business, the Finance and Taxation Committee Meeting of  
20 April 27, 2009, was adjourned at 12:50 p.m.

21  
22   
23 Robert N. Wildrick  
24 Committee Chair  
25

  
David A. Rosow  
Committee Member