TOWN OF PALM BEACH

Office of The Town Clerk

MINUTES OF THE SPECIAL TOWN COUNCIL MEETING (INTERNAL AUDITOR) HELD ON WEDNESDAY, SEPTEMBER 23, 2009

I. CALL TO ORDER AND ROLL CALL

The Special Town Council Meeting was called to order on Wednesday, September 23, 2009, at 3:30 p.m., at 355 S. County Road, Palm Beach, Florida 33480, in the Central Fire Station, in the Emergency Operations Center (EOC). On roll call, all elected officials were found to be present.

II. INVOCATION AND PLEDGE OF ALLEGIANCE

Town Clerk Cunningham gave the invocation. President Rosow led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

Council President Rosow indicated that although there was not an agenda item for comments from the Mayor and Town Council, he asked if anyone had any comments.

Mayor McDonald informed the Town Council that he had attended the League of Cities meeting that morning. Although the school enrollment dropped in Palm Beach County the past two years, it had actually increased by 2000 students this year. He suggested that it indicates perhaps people are moving into Palm Beach County.

Council Member Diamond and Council President Pro Tem Coniglio attended the recent second budget hearing at the County. Council Member Diamond indicated that he spoke of the increase in millage rate and Council President Pro Tem Coniglio asked the Board of County commissioners for more assistance on the beaches and shoreline.

Council President Rosow stated that earlier that week he had spoken with investment people regarding the extremely low municipal bond interest rates. He started thinking about all of the projects that the Town has before it out of the Public Works Department. He would like to see how to finance all of these projects. He suggested scheduling a Special Town Council meeting to hear from the Public Works Department to see if they could accelerate infrastructure work and be more cost effective as well as efficient. The Town Council could also hear from the Finance Department regarding the potential cost of a bond issue. He noted that today interest rates were 4%. He gave an example of selling $30 million dollars worth of bonds which would create $1.2 million in interest costs. The monies to repay the bond issue would have to be taken out of the operating budget in order to be able to afford it. He felt it was something that should be looked at

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and he had discussed it with the Town Manager earlier in the day. Town Manager Elwell agreed with Council President Rosow that this may be a golden opportunity for the Town to advance the infrastructure needs and do it in a way that would allow the Town to save money long-term.

Council President Pro Tem Coniglio stated that she felt this was a fabulous idea, and she saluted Council President Rosow for bringing it forward. As Chair of the Public Works Committee, she indicated that there would be a Public Works Meeting the first week in October and she would be happy to report back to the Town Council at the October Town Council meeting with the findings. She would include the accelerated and non-accelerated projects, particularly with the sanitary sewer in mind, and the ECR plant. Town Manager Elwell indicated that the October 13th Town Council Meeting was manageable and the subject could be heard under Committee Reports.

Council Diamond stated that the Shore Board will be requesting $15 million for a small project in Reach 8. He asked if that money would be included. Council President Rosow indicated that it would not be. The types of projects he was referring to were only sewer and water pipes and roads etc., and not sand related. Council Member Wildrick stated that he would like to see all of the numbers first, before making any decisions. He does not want any budget increase.

III. APPROVAL OF AGENDA

Motion made by Council Member Diamond, seconded by Council Member Kleid, to approve the Agenda as presented. On roll call, the motion carried unanimously.

IV. PROPOSED RFP FOR INTERNAL AUDITOR SERVICES. [JANE STRUDER, DIRECTOR OF FINANCE]

Finance Director Jane Struder presented the item and requested approval of the scope of work that was included in a memorandum provided to the Town Council. She indicated there were two options outlined for the RFP, a detailed listing of projects that were seen before with some more items added, and a summarized scope of work. Staff was recommending the summarized scope of work, whereby the Town Council would chose a reputable firm from the respondents to the RFP and determine specific assignments at a later date. She also asked for input on a Selection Committee and the timing of the project.

Council Member Diamond indicated that he felt that this was a baby step towards what the Town actually should be doing, which was a total management review of the operations of the Town. He asked if this audit would cover the substantial increases that occurred approximately one year ago when Fire Rescue and Police Department employees received substantial increases which were approved by the Town Council. He understood that there was not any real understanding by the Town Council or presentation to the Town Council of the pension problems that were exacerbated by those increases.

Council President Rosow indicated that the audit would not delve into Council Member Diamond's concerns. He stated that the function of the internal auditors is to look at things after the fact. They do not look at prospective transactions and internal auditors do not look at prospective programs. The issue of the salary raises could be addressed by the Town Manager. Council Member Diamond thanked Council President Rosow for the explanation and said he would vote for it, but objected to it because it is inadequate.

Council Member Wildrick asked that performance be placed on the RFP as well.

Town Manager Elwell indicated that the reason staff was recommending to the Town Council a general scope and a RFQ process whereby the Town Council selects a firm based on their broad qualifications and experience and then determine what the specific tasks should be later, is to ensure that the Council as a whole, has the flexibility to hold the firm accountable to them and as directed by the Council. Since the staff was trying to define the long list, to ensure that it was inclusive of all the different things that the Council Members individually requested be on the list, they decided to leave the scope more broad initially.

Council Member Wildrick indicated that he had read Council President Rosow's list and thought it was very good. He reviewed the list and said not all of the items are needed. He would rather see a general fee for a general amount of hours, and then work together as a Town Council to put specific tasks on a list.

Council President Pro Tem Coniglio noted that this topic is now County-wide and she stated that she recently attended the Economic Council Meeting and they have been discussing how to hire an inspector general/auditor. They provided a different slant to it as they are now dividing the position into an inspector general/internal auditor. She had some concerns and knows that Council Member Diamond would like to see a full-fledged management system review. She felt that at this point it would be overkill.

Council President Pro Tem Coniglio indicated that Mr. Will Maxwell, from Rampell & Rampell was at that meeting and also in the audience. He spoke of the concerns of having an internal audit committee and how it would be composed. It would be an independent committee. Next was expansion of the internal auditor's function within the County where currently the scope is very concentrated. The County wanted the auditor to expand his purview to all constitutional officers.

Council President Pro Tem Coniglio asked Mr. Maxwell what he thought about the proposed list for the RFP. Mr. Maxwell responded that the list was very broad. At any point in time, the Town Council may touch each of the areas requested, but the better approach would be to identify the higher risk areas and perform an assessment risk process. Identify the areas that contain the most risk, not only monetarily, but where the process is very risky. He suggested that the list be more focused. Council President Pro Tem Coniglio asked for a parameter on what they would do on a risk assessment and how much time it would take. Mr. Maxwell noted that depending on the area or class, there could be 50-100 hours on any one area.

Council President Pro Tem Coniglio asked if anyone would do a finite rate to identify a risk assessment. Mr. Maxwell said they would. Council Member Kleid noted that there is a balance between the cost of control and the risk that is being managed. He asked Mr. Maxwell what would be a risk that should be evaluated. Mr. Maxwell responded with the example that a risky area is cash. Anytime cash is being exchanged, there should be some oversite. But in some areas such as petty cash where the dollar amount is not that great as opposed to other areas where cash is greater, such would not be looked at.

Council Member Kleid next asked questions about the RFP itself. Council Member Wildrick had concerns about looking at the documents since it appeared redundant. He asked how many time does an accounting firm need to check the cash in an operation the size of Palm Beach. A very poor example of anything is the County's accounting because they are loaded with bureaucracy, budgets are not controlled, the taxes are out of whack and half of the public servants have been indicted. He stated that the Town of Palm Beach does not have those types of issues. The Town of Palm Beach is a small business essentially. He suggested that the Town start along the line of performance audits. On certain larger issues, such as the FEMA expenditure of $12 million dollars certainly should be an area that would be checked and rechecked. The Town Council does not have anything to measure outside of hearsay. The performance of various management functions, departmental functions, ethics questions, conflicts of interests questions are not really issues. There have been many meetings where time was spent on ethics and other issues that would have been cleared up immediately if the Town had an auditor. There was a lot of time spent on hyperbole that does not need to have time spent on it. He encouraged the Town Council to narrow the scope, include performance audits and have a small group sit down and discuss areas that should be included. The Town needs a firm that is a competent, provide the billing rate and then the Town Council can tell them what to look for. He thought it would take 1000 hours of work at approximately $250/hr. and develop benchmarks should be developed.

Council President Pro Tem Coniglio addressed Council Member Wildrick. She indicated that the reason she brought up accounting was because the County was setting up a program at the same time. They have the same types of concerns on internal controls. She agreed with Council Member Wildrick that there is no comparison of the Town of Palm Beach to Palm Beach County. She noted that they do not even audit their own Commissions. They audit themselves. Council Member Wildrick suggested strongly not using the County as a model. Council President Pro Tem Coniglio spoke regarding a performance audit and stated that her focus would be on the financial items and the controls that could be followed through the years. She felt that this year the Town Council should focus on the external auditor giving their opinions or review to the internal auditor. If there starts to be a $500,000 internal auditor fee, at this point it has gone too far.

Town Manager Elwell indicated that the discussion had reaffirmed a concern that staff had about if the Town staff attempted to fully define what has been discussed today, the Town Council would be disappointed. He suggested that the general framework should be the RFP itself. He stated to get the firm hired and then work specifically with that firm on specific tasks. That was why the scope was more broad. Town Manager Elwell outlined the scope of work:

- Compliance with applicable laws and regulations.

- Adequacy of, and compliance with, internal controls.
- Reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use.
- Effectiveness and efficiency of operations including proper use of Town's resources.

Council President Rosow asked about the laundry list and thought it would create a situation where whomever bid on the project, was going to think that was what the role was on day one. The role on day one is to do whatever the Town Council wants them to do. He would like to add "conduct fraud inquiries" for any alleged acts of fraud and get rid of the areas of evaluations. Council Member Kleid agreed and said that the time to assign tasks is after the firm is hired.

Council Member Diamond said he wanted to understand that the so-called auditor would do anything, except be a high-dollar accountant, and would make policy recommendation to the Town Council - otherwise they would not be of much value. Council President Rosow responded by stating that the auditors find problems, offers potential solutions, but not any specific solutions.

Council Member Wildrick stated that Council Member Diamond has expressed concerns over issues as all of the Town Council has. On those issues, the auditors could look at those issues, come back with a report and make recommendations if they are required. As a group, the Town Council could decide to take a further look at the suggestions. He feels that the Town Council should try an auditor once and see what the results are. It does not have to be a permanent position. He agreed with Council Member Kleid when he stated he did not want to have another layer of government.

Motion made by Council Member Diamond, seconded by Council President Pro Tem Coniglio, to approve the issuance of an RFP which included the four bulleted items from the September 16, 2009 memorandum as the objective of the RFP, and the top item on the second page of the memorandum. On roll call, the motion carried unanimously.

Town Manager Elwell added that there were two other components of the agenda item. The timetable that was recommended to the Town Council was to have the end of October be the deadline for submittals. The review process would occur in November for a recommendation to Town Council to consider at the December Town Council Meeting.

Secondly, Town Manager Elwell asked to identify who would be on the selection panel for review of the proposals and recommendation to the Town Council. Council President Rosow stated that the Chair of the Finance and Taxation Committee should be a representative on the selection committee, as well as Finance Director Struder and Town Manager Elwell, and the existing external auditor (Mr. Mark Veil).

Council Member Kleid said that the selection committee should only be one or two members of the Town Council and not staff. He was not opposed to having the staff sit in an advisory capacity to make recommendations. This auditor will report directly to the Town Council and not to staff.

Council Member Kleid suggested that the two members of the Finance and Taxation Committee namely Council Member Wildrick and Council President Rosow, be the selection committee. Council President Pro Tem Coniglio asked if the timeframe was realistic. She requested that the entire Town Council be on the selection committee since all of them would be attending the meetings. Council Member Kleid felt that perhaps all of the Town Council Members should be involved since most would attend such a meeting anyway.

Town Manager Elwell indicated that the timeline he expressed earlier was workable. There would be a month to prepare proposals. The schedule depends on what the Town Council recommended as a scope of work. Council President Pro Tem Coniglio stated that the auditor, Mark Veil, should only be an advisory member, as well as the staff, to the Committee.

Council Member Wildrick stated that he felt strongly that the Council should not invite outsiders from the County or others to participate. The Town should be kept as one Town and keep the Town among family by handling its own issues. He suggested that if the Town feels uncomfortable with him being the Chairman of the Finance and Taxation Committee that it be another committee to handle the selection process. He would, however, include everyone's point of view.

Council Member Diamond agreed with the format of the selection committee. He noted that Council member Wildrick has the expertise as well as the other member of the committee. The report comes back to the Town Council anyway.

Motion made by Council Member Kleid, seconded by Council President Pro Tem Coniglio, to appoint as the selection committee the two members of the Finance and Taxation Committee, and invite to the meetings such advisors as they deem reasonable and prudent. On roll call, the motion carried unanimously as well as the time frame previously discussed.

V. CONSIDERATION OF SCHEDULING A SPECIAL TOWN COUNCIL MEETING DURING THE WEEK OF NOVEMBER 16, 2009, REGARDING THE ROYAL POINCIANA VILLAGE OVERLAY DISTRICT. [DAVID A. ROSOW, TOWN COUNCIL PRESIDENT]

Council President Rosow announced that he placed this next item on the agenda because he had spoken with the Director of the Planning, Zoning and Building, John Page, concerning the pace at which the Planning and Zoning Commission was working on any potential zoning changes to the Royal Poinciana District. As they looked at a calendar, they had initially said that they wanted to have a special meeting of the Town Council in November in the afternoon of Development Reviews. Director Page was concerned that the Commission will have a second meeting on the subject in early November, which would make it difficult to get the information disseminated to the residents in time for all residents and the Town Council to understand what was going to be proposed.

Council President Rosow asked for a Special Town Council meeting to be scheduled. After discussion among the other Town Council Members, it was decided that the week of November 16, 2009, and most likely November 18, 2009, would be the date for a Special Town Council meeting to be held at 9:00 a.m. A venue larger than the EOC would be obtained and advertised publicly.

Council Presdient Rosow also instructed Director Page to inform the Planning and Zoning Commission that their recommendations had to be received shortly after the November 3rd meeting. The report would then be distributed to the Town Council and posted on the Town Website for distribution.

Council Member Wildrick stated that he had spoken with many residents and many residents agree that a facelift on Royal Poinciana Way is needed, but what is not agreed is the extent of the improvements. The gas station will probably not re-open. The post office will most likely close. He encouraged that there be total involvement of all community members and an aggressive means to have as many members of the community involved and their input received. He encouraged the Town to address the problem together.

Council Member Wildrick added that he had spoken extensively with Director Page and he is not a pawn to the developers as he has been accused of being. Director Page also wants maximum community input. Director Page promised to reach out to everyone. Council President Rosow's comments were excellent.

Director Page answered President Pro Tem Coniglio's concerns about the timing by stating that the next Planning and Zoning Commission Meeting is October 6, 2009. They may not be able to complete all of their work on that date. He stated he was expecting a very robust conversation, and a lot of public participation and it would be conceivable that it would be carried over to the next meeting. They would have the option of holding a special meeting, or having another regular meeting which would be the first Tuesday in November (3rd). Having a Special Town Council meeting the week of the 16th would make sense. He would convey strongly to the Planning and Zoning Commission that they need to have their work completed by that time. Council President Rosow stressed that they needed to have the report at least ten days prior to the special meeting.

Council Member Kleid agreed with the time frame. Council Member Diamond said this project had been going on for over two years and wondered why there was a need to have an extra special meeting. Council President Rosow responded that this was an old issue but there would be an ordinance change with one more opportunity to reach out to residents for their input. Council Member Wildrick agreed with Council President Rosow and stated that this was far too important of an issue. He wanted to meet with the Preservation Foundation and others to make sure that the best information and decision possible.

Jere Zenko, 232 Tangier Avenue, stated that Tuesday is a particularly bad day for holding meetings but did not state why.

John Marsch, Preservation Foundation, asked for time to fully digest all of this between the issuance of the report and the Town Council meeting. He wanted to know what residents could expect at a special meeting. Council President Rosow said it would be a proposed Ordinance which would have an outline of what it means and then at the meeting there would be resident input. He stressed that it did not include Royal Poinciana Plaza.

Council Member Kleid agreed with Council Member Wildrick to make sure it was done correctly and with transparency. There have already been two special meetings, letters sent to every resident in Town, numerous Planning and Zoning Commission meetings, a Special Town Council meeting on this subject, and he hoped that people will see more than just the legal language.

Former Mayor Marix, 1570 N. Ocean Blvd., said that the public needs to be more informed. She asked if the Daily News would provide an article about the project. Council President Rosow indicated that they cannot control what is printed but asked reporter William Kelly to inquire as to a discounted rate at the *Palm Beach Daily News* for an ad.

Town Manager Elwell said that the Town would post the information on the Town's website. The draft report will be posted on the website. It will appear as an amendment to the Town Comprehensive Plan and as an Ordinance.

Council Member Diamond said the residents want to see pictures and what the area will look like and what they are going to get is legalese of an Ordinance.

Lewis Crampton, 2335 S. Ocean Blvd., and Planning and Zoning Commission Alternate Member, stated that he was asked to work with staff to develop a communication strategy to help inform people of what was going on. They will inform everyone of the meeting and provide a history of the project as well.

Wendy Victor, Via Tortuga, was concerned about resident burnout. She stated that she has seen this issue for twelve years. Her concern was that the Town Council must be clear and focused enough so that the residents know that their opinion matters.

Staff was directed to come up with a public dissemination plan, prepare a notice for the newspaper, and secure a venue for Wednesday November 18, at 9:30a.m. and plan to go all day if necessary.

VI. <u>ANY OTHER MATTERS</u>

There were none.

VII. ADJOURNMENT

There being no further business, the September 23, 2009, Special Town Council Meeting was adjourned at 4:39 p.m.

APPROVED:

David A. Rosow
Town Council President

ATTEST:

Joanna Cunningham
Town Clerk