TOWN OF PALM BEACH

Office of The Town Clerk

MINUTES OF THE SPECIAL TOWN COUNCIL MEETING HELD ON MONDAY, AUGUST 6, 2007

I. CALL TO ORDER AND ROLL CALL

The Special Town Council Meeting was called to order in the Town Council Chambers at 9:30 a.m., on Monday, August 6, 2007. On roll call, the following elected officials were found to be present:

Mayor Jack McDonald
President Richard M. Kleid
President Pro Tem Denis P. Coleman
Council Member William J. Brooks
Council Member Gail Coniglio
Council Member Susan Markin

Others present for all or a portion of the meeting were:

Town Manager Peter B. Elwell
Deputy Town Manager Thomas G. Bradford
Assistant Town Manager Sarah E. Hannah
William Amador - Interim Fire-Rescue Chief
Jay Boodheshwar - Recreation Director
Eric Brown - Assistant Public Works Director
Paul Brazil - Public Works Director
Veronica Close - Planning, Zoning, and Building Director
William Crouse - Human Resources Director
Rick Dytrych - Golf Pro
Rod Gardiner - Assistant Director of Recreation
Carla Kneipp - Assistant Human Resources Director
Jon Luscomb - Dock Master
Timothy Pompos - Fire Marshal
Michael Reiter - Police Chief
Gary Sallenbach - Support Services Major
Cheryl Somers - Assistant Finance Director
Jane Struder - Finance Director

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Spencer Wilson - Information Systems Manager
Susan Eichhorn - Town Clerk

II. INVOCATION AND PLEDGE OF ALLEGIANCE

Town Clerk Eichhorn gave the Invocation. President Kleid led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

The Agenda was approved through motion of President Pro Tem Coleman, seconded by Council Member Brooks. On roll call, the motion carried unanimously.

IV. TOWN MANAGER'S OVERVIEW OF PROPOSED FY2008 BUDGET

Town Manager Elwell observed that the agenda today would correlate with the tabs in the budget book that was provided. He noted that the health insurance program, would be addressed during Item V. of the agenda.

President Kleid noted that citizen comments and questions would be invited during the meeting, at the point when the comment/question was pertinent to the item being discussed.

Budget Message:

Mr. Elwell advised that he would not go through the budget message in great detail, as much of the information was covered at the July 11, 2007, Special Town Council meeting. He would focus on the highlights of overall expenses and overall revenues.

Mr. Elwell provided assurance that everything that was decided at the July 11, 2007, Special Town Council Meeting, was reflected in the proposed FY08 Budget being presented today. He noted that the FY08 Townwide Goals were included on page 2, and had been adopted at a time when property tax reform had not yet become a reality; therefore, the circumstances of some of them had changed.

- **Construct Reach 8 Beach Restoration Project:** Remained a high priority for the Town, and a December 18th referendum will be held to consider a General Obligation Bond to fund the project.
- **Commence construction of upgraded sand transfer plant at Lake Worth Inlet:** Staff was

continuing to work with the Army Corps of Engineers and congressional representatives to gain the final approvals necessary. The Town had done all that it could to be in a position to move forward, and as soon as the federal dollars were appropriated, that project could be initiated. It was expected to be done during FY08.

- **Hold Undergrounding Project referendum in February 2008 and lead up to that with a broad and detailed public information campaign:** Input from the community had been received on this matter, and it would be addressed at the August 14, 2007, Town Council Meeting. At this point in time, a referendum question was scheduled for January 29, 2008.
- **Commence Town Hall renovations and finalize plans to relocate the Human Resources Department and the Office of Information Systems to West Palm Beach**: There was additional information to be presented today, and discussion would occur today.
- **Continue to improve the breadth and intensity of code enforcement:** The budget had been restructured to accommodate a more focused funding of the code enforcement activity. For budgetary purposes, funding for that appeared in the Planning, Zoning & Building (PZ & B) budget, because of the relationship of those activities to the PZ & B functions and to the building permit fees that fund the majority of the effort in PZ & B. The management of the code enforcement function was now completely within the Police Department. Discussion would take place regarding the funding in both departments when those items were more fully discussed today.

Mr. Elwell advised that this budget included a reduced millage rate (reduced by 9.7% from the FY07 budget) for property taxes. The expenditure side reflected lower than anticipated expenditures in every aspect of Town operations. He noted that the property tax reform was driven by the inequities that were in the property tax system, rather than that property taxes per se had gone too high; the disproportion was driving the challenges that were being faced by local government in Florida. He referred to the table included in the budget message, which reflected the homesteaded property taxes paid from FY2001 through FY2008, which indicated that the property tax bill was almost $500 lower per million dollars of value in FY08. Over the past three years, the tax bills for a homesteaded property owner had actually decreased. Property owners, other than homesteaded, were paying a disproportionate share. Approximately one-third of the property owners in the Town were homesteaded property owners, and for that group, the cost of government had actually become more reasonable during this decade. The homesteaded parcels in the Town were 37% of all of the different parcels in the Town, no matter what the classification of the parcel; 39% of the residential properties were homesteaded.

Mr. Elwell referred to the expenditures table:

Salary and Wages:

Salaries and wages were up by 4.1% and employee benefits by 6.7%. The salary and wages figure included, at this time, a 3% competitive pay increase; the salary market in the area was indicating

that there was that much movement, however, staff recommended that the Town Council not take final action on that question today, because there may be additional data available in August, as other municipalities address their budgets. He advised that the across the board increase of 3% had less to do with the cost of living and more to do with the market place – inflation and what was happening in the market did not always align. In order to maintain a competitive position, salaries should move with the market place.

Employee Benefits:

Mr. Elwell noted that this was the last year of the smoothing of the significant losses from the early part of the decade. It was expected that the rate of increase will reduce substantially next year.

Contractual and Commodities:

These numbers were actually down Townwide. There were some increases that were offset in the aggregate by substantial decreases in other areas for a total Townwide reduction in the things and services that were being bought.

Capital Outlay:

A substantial increase was directly related to two things: the change of the equipment replace fund from a purchase cost formula to a replacement cost formula. The depreciation costs had increased this year in order to have enough money in that fund to pay the replacement costs of items. They would be stable in the future, but this year there was a substantial increase in the depreciation because this year the transition was being made from purchase cost to replacement cost. In addition, there was $700,000 for the electronic chalking and kiosks that were approved.

Status of FY07 Budget:

It was expected that on September 30, 2007, there would be $5,000,000 in the fund balance that would be in excess of the minimum that was self-imposed (25% of the operating budget as the minimum undesignated general fund balance). There were approximately $2,000,000 of costs that would be needed from that fund balance; therefore, $3,000,000 would be the amount available after October 1, 2007.

Other Funds:

All other funds would be addressed in the program by program review: Finance Director Jane Struder would address the Debt Service Fund, Equipment Replacement Fund, Internal Service Funds, Trust Funds and Financial Policies; Public Works Director Paul Brazil would address the

Capital Improvement Funds; Recreation Director Jay Boodheshwar would address the Recreation Enterprise Fund.

V. RESPONSES TO QUESTIONS RAISED AT JULY 11th SPECIAL TOWN COUNCIL MEETING

Town Manager Elwell referred to the memorandum dated July 31, 2007, from Finance Director Struder to the Mayor and Town Council. It was determined by the Town Council that the responses had been satisfactory, however, President Pro Tem Coleman requested elaboration on the North Fire Station window replacement.

Director of Public Works Brazil outlined the various alternatives for materials to replace the windows. Discussion took place regarding materials and costs.

Mr. Elwell suggested consideration of this item at the September 11, 2007, Town Council Meeting, whereby a full report and costs would be provided; the Town Council could then determine whether it would prefer an alternative material for the Landmarks Preservation Commission to consider. The Town Council concurred.

Report of Current and Historical Medical Plan Benefits and Costs:

Town Manager Elwell pointed out that the Town did indeed provide a very competitive plan in terms of the quality of the plan, however, had the lowest premium of any of the communities surveyed. The splits in terms of the portion paid by the employee and the portion paid by the Town were comparable with other communities, and were indicative of the market position of the Town. He noted that Mr. Crouse and Mr. Shell had taken the Town from the threshold decision in 1979 to become self-insured in health. It was the management of this plan that had put the Town in the extraordinarily strong position that it was in today.

Human Resources Director William Crouse, and Arthur J. Gallagher & Co. Area Vice President Richard Shell, addressed the health insurance plan for the Town, referring to the supplemental report provided to the Town Council, dated August 1, 2007, from Mr. Crouse. The report included the following information:

- Survey of medical premiums for employees, retirees, and covered dependents for both the primary plan (PPO or POS) and HMO plan..
- Employee insurance benefits, costs and basic medical coverages defined.

- Medical plan costs starting with base year FY 1999/2000.
- Premium based revenues for FY 2006/07.
- Information requested by Council Member Coniglio.
- Health Care Plan Actuarial Rate Making Report for 2007.
- Information requested by Council Member Brooks.
- Employee medical premium contributions for years 2000 through 2007.

Mr. Crouse summarized the medical health plan of the Town, providing the history of the plan. He reviewed the proportion of health insurance fees paid both by the employee and the Town, inclusive of retirees, and discussed the funding procedure for the health insurance program.

Mr. Shell addressed the Town Council, referring to the supplemental report, and stating that the comparison of medical rates with other municipalities indicated that the Town of Palm Beach rates were the most competitive rates. He explained the differences between a fully insured program versus a self-insured program:

Fully Insured:

Employer pays insurance carrier a monthly premium or an annual premium. By providing that premium, the insurance company then assumes all risk associated.

Self-Insured:

Employer does not assume all of the risk, but assumes a certain amount of risk, through the purchase of specific re-insurance. In the Town's case, there was a specific deductible, with the Town assuming the first $65,000 of risk on each individual covered person. The liability or exposure that the Town had was capped at that $65,000 per claim; as soon as the claim exceeded that amount, the re-insurance would pay up to the maximum benefit. In addition, there was an aggregate re-insurance contract, that would kick in and pay the overage if the Town experienced a year with high utilization of claims. He explained the funding procedure of the self-insured program.

Mr. Shell noted that he had 31 public sector clients in the State of Florida, of which 28 were self-insured.

Mr. Shell responded to questions from the Town Council related to:

- Percentages of insurance paid by employer/employee/retiree.
- Maximum rate that can be charged to retirees per State law, and the manner in which rates were calculated on Exhibit A.
- Blended rate concept of group insurance.

Town Manager Elwell explained that the maximum that could be charged to a retiree would be the same rate as the cost of the premium for the employee. The retiree currently paid 48% of a

$617.17 premium. The maximum that could possibly be charged to a retiree was currently $339.61, therefore the Town was currently subsidizing approximately $35-$40 that the retiree was currently not paying. He explained that by treating the experience of the retirees as a separate calculated data pool, the Town allowed itself to better manage the benefit over the long term. It was the long term careful management of the benefit that had allowed it to be so cost effective, where the Town's costs were lower than neighboring municipalities, but the benefit package was better.

In response to Council Member Coniglio, regarding the advantages of a self insurance fund, Mr. Shell noted the control issue, that the Town could determine the plan design. Under a fully insured scenario the carrier's template would be used. By being self-insured, the Town could evaluate the prescription drug benefit, emergency room utilization, etc. Carrier profits were eliminated, as was the State premium tax.

Council Member Markin commented that she understood that the health insurance plan was the best plan possible for the employees at the lowest cost for the employees. She questioned how different the plan would look if the objective was given to come up with the lowest cost to the Town. She noted that her point was that the Town may ultimately decide not to change the plan, however, a comparison to a reduced cost to the Town plan would provide the opportunity to weigh the pros and cons.

Mr. Shell explained that employers always had the option of cost shifting to the employees. Costs to the Town for medical benefits could be reduced, if that objective was given. He also noted that there were some inherent risks with increasing employee contribution, as there would be healthy employees leaving and seeking insurance elsewhere — those were the important people to keep on the plan. He offered to run some analyses through some actuarial models, however, he pointed out that to gain significant savings, there would need to be significant changes.

Town Manager Elwell clarified that the Town's premium rate was not artificially low because of some level of subsidy – it was low because the management of the fund over the past thirty years had succeeded in controlling the costs of the plan, both for the benefit of the employees, and for the benefit of the Town and its taxpayers. The premium rate was an actuarially calculated premium rate that was determined in order to fund the plan; that premium rate was driven by data, not by a policy decision. The fact that the premium rate was $339.61, when Palm Beach County rate was $1,261.96, made the point of the outstanding performance and management of the fund over a thirty year period.

President Kleid clarified that the consensus of the Town Council was to have the opportunity to analyze a plan that would have the same benefits and same premium payments, but with the percentages shifted that the employees would pay for the plan. Consideration could then be given to cost savings, and how it would affect the competitive position of the Town.

VI. REVIEW OF FY2007 PROPOSED BUDGETS

A. General Fund Revenue Review

Finance Director Jane Struder presented the general fund revenues for the FY08 budget, totaling $64,334,559, which was an increase of 2.7%. She presented certain highlights of those revenues: Property tax revenue represented 63% of the total revenues, and had decreased by 4.48%. Non ad valorem taxes were estimated to increase by 9.5%, based on recent trends, not by increases in fees. License/Permit revenue highlights included increases in the Business Tax Receipt. The building permit revenue was decreased due to a recent rate study. The new fees would be presented to the Town Council for adoption at the August 14, 2007, Town Council Meeting. There were also new fees that the Town Council approved on July 11, 2007, for landscape permits, dune vegetation, building permit search fees, and reinspection fees. Intergovernmental revenues decreased by 16%, due to grant revenues that were budgeted in FY07, and not in FY08. Charges for services increased by 28.6%, because of new false fire alarm fees, and increased police false alarm fees, and parking meter increases. Judgements and fines increased by 24%, due to increases in the parking ticket fines approved on July 11, 2007, and increases were also included for code compliance fines due to stricter enforcement. Interest earnings increased by 11%, due to anticipated increases in the reserve levels. The miscellaneous section had increased by 13.2%, due to increases in State Highway lighting maintenance revenues and an increase in Charitable Solicitation revenues.

B. General Fund Expenditures - Program-by-Program Review of Budgets and Staffing

Town Manager Elwell noted that the first page of the budget book provided the overall general fund expenditures, and that a program by program review would now take place. He noted that almost every program in the Town indicated an increase in employee benefits for both retirement costs and health insurance, however, the final budget would reflect that health insurance was not increasing due to the negotiations with the carrier.

The program by program review included information regarding staffing levels for each program. The following programs were reviewed:

- Legislative - Program 111
- General Government - Program 113
- Town Manager's Office - Programs 121, 122 and 125
- Human Resources - Program 123
- Finance - Programs 131, 141, 144
- Planning, Zoning & Building - Programs 211, 212, 213, 214, 215, 216

- Fire-Rescue - Programs 411, 417, 418
- Police - Programs 421, 422, 423, 424, 425, 426, 428, 429, 430, 432
- Public Works - Programs 511, 521, 523, 524, 531, 532, 533, 541, 542, 543, 544, 545, 546, 551, 554 558, 561, 565, 571, & 581
- Other Programs - Programs 321, 611-625, 710 & 711

Department directors addressed questions posed by the Town Council related to:

- Increase in Fire-Rescue employees.
- Fuel cost assumptions and fuel efficiency. *[President Coleman requested that staff provide further information at a future date].*
- Duties of detectives in the Criminal Investigation Unit of the Police Department.
- Lifeguard service.
- Usage related to Phipps Ocean Park.
- Usage of Police boat. *[Mayor McDonald suggested that more information should be provided to the public regarding the Police boat and its function].*
- Proportion of revenue gained from citations issued for environmental wake, and for tickets written by the Police Department. *[President Coleman requested a follow up on how the revenue is allocated].*
- Information regarding the salary distribution analysis. *[President Coleman requested a comparison report from the last several years].*
- Procedure related to merit increases. *[Town Manager Elwell advised that merit increases cost approximately 2% of the payroll per year, because some employees were at the top of their range and receive no increase, some were in the 3% group, 5% group, etc. Because of the decile system and the forced distribution that it created, the cost of maintaining the pay for performance system was approximately 2% of payroll per year].*
- Number of current standard parking meters (534). Budget provided for up to 40 kiosks (based on an average of 15 meters per kiosk).
- Agency responsible for monitoring of water quality in the intracoastal. *[Staff would provide further information in this regard].*

C. Debt Service Fund

Finance Director Struder presented information regarding the Debt Service Fund. She explained that the transfer from the general fund for debt service was $3.652 million. That paid for a portion of the 2003A Revenue Bond, which was for coastal projects, and for all of the 2003B Revenue Bond, which was for Town facilities. The average annual debt service for the 2003A beach bond was approximately $3.9 million, and it would be paid in full in 2010. The original bond was issued in 2000, and refinanced in 2003; the original bond was $23,530,000. The 2003B bond average annual debt service was $380,000, and it would be paid in full in 2033. The original bond amount was $6,130,000.

D. Capital Improvement Fund

Public Works Director Paul Brazil presented information regarding the overall Capital Improvement Program. He reviewed the scaled back proposed FY07 budget in Fund 307 - Capital Improvement Fund. (Page 167 of the back up material). He then reviewed:

- Fund 308 - Pay as You Go Fund - Comprehensive Coastal Management Plan
- Fund 309 - Bond Proceeds Construction Fund - Comprehensive Coastal Management Plan.

In response to Council Member Markin, Mr. Brazil advised that approximately $20 million had been spent, since inception, on the ten-year drainage improvement program. Completion of the drainage program was estimated to cost approximately $12 million

Town Manager Elwell noted that the replacement of the North Fire Station windows was a continuing question. Staff would provide additional information at the September 11, 2007, Town Council Meeting. He recommended that the funds remain in this budget, and if a different approach was decided, funding could be reallocated at that time. For now, the amount in the proposed budget was sufficient to fulfill the maximum cost that was envisioned at this time.

Discussion took place regarding converting from diesel to gas generators and the use of LPG vehicles. Mr. Elwell confirmed that staff had been working on a full report regarding the fuel used for Town vehicles, per the prior direction of the Town Council.

Fund 320 - Equipment Replacement Fund, was addressed by Finance Director Struder. She explained that the depreciation charges by department totaled $1.9 million. The expenditures out of the account totaled $2.2 million, however, one modification needed to be made to that for the Fire-Rescue radios for the new system – that was an additional $378,675, which would bring the expenditure total up to $2,584,686.

E. Recreation Enterprise Fund

1. Individual Review of Component Functions (including proposed fee increases)

Recreation Director Jay Boodheshwar addressed the Town Council, stating that his approach today would involve a general overview, and then some specific review of each program element of the Recreation Fund. He would highlight some items of importance that would affect the budget for the upcoming year.

Mr. Boodheshwar reviewed operating expenses, revenues, department staffing levels,

a. Marina

Expenses: He noted that there were some specific increases in the contractual and commodity lines, which were associated with the increased attention to minor improvements and upkeep to the facilities in the Lake Drive Park Master Plan. It also involved the recalculation of the depreciation for that program.

Revenue: He noted that the recovery goal for costs for the Marina was 200%, and it was budgeted to recover 212%. He pointed out that the long term plan included revenue related to 4% rate adjustments across the board. A policy revision that was recently approved related to the length overall (LOA) for vessels – it had been modified from 10% minimum/maximum overhang to 15%, which would improve customer service and revenues to the Marina.

b. Par 3 Golf Course

Expenses: The decrease in the proposed budget figure was related to the elimination of the full time registration clerk, as well as reductions in the contractual and commodity lines.

Revenues: Mr. Boodheshwar reviewed the revenues for the Par 3 Golf Course. Discussion took place regarding price differentials between fees for residents and non-residents. Council Member Markin suggested that resident use would improve if the quality of the golf course was improved. President Kleid pointed out that there was an ongoing study of improvements to the course, and that a group of citizens had been discussing privately funding some of the improvements.

c. Tennis

Expenses: The decrease was mainly due to the elimination of the tennis manager position, and a decrease in part time hours. It was also planned to implement a reduction in staff hours during the off-season at Phipps Tennis Facility.

Revenues: The decrease in revenues was as a result of the anticipated closure of Seaview Park. Mr. Boodheshwar noted that he would request final authorization to proceed with the final design for renovation of the Seaview facility at the August 14, 2007, Town Council Meeting. Staff also intended to discuss proposed fee increases in preparation for FY09, after the facility was renovated. He pointed out that the current tennis pro position would be contracted with an interim professional, and next month a contract would be brought forward.

d. Recreation Programs & Events

Expenses: Mr. Boodheshwar reviewed expenses, noting that there was a reduction in part time staff hours.

Revenues: Increase was due to increased fees, increased program opportunities, and increased participation, and change in revenue share with instructors.

e. Administration & General Maintenance

An increase was due to the depreciation calculation. He pointed out that general maintenance in this fund equated to approximately $290,000 of the budget. Discussion took place regarding the economies of scale between the Pubic Works Department and the Recreation Department related to lawn maintenance. Mr. Boodheshwar advised that there was some speciality involved, however, it was worth exploring the manpower issues. He also explained the duties of both Recreation Assistant Directors.

f. Capital and Equipment

Mr. Boodheshwar highlighted three items:

- Town Docks Master Plan: There were sufficient funds to handle a $1.2 million project, and a proposal would be presented at a future date. Discussion took place regarding the dock fee increase rate. *Council Member Markin requested a comparison if slip rates were increased anywhere from 2% through 10%. Staff would include this item in the comprehensive review of Town operations.*

- Seaview Park Tennis Center Renovation: There would be approximately $1.3 million in carry over funds. The scope of the renovation would be reduced, and final approval would be requested at the August 14, 2007, Town Council meeting.

- Seaview Park Athletic Field: A $200,000 natural turf replacement plan would include stripping and sterilizing the existing field, followed by laser grading and re-sodding, and irrigation replacement. A financial partnership with the Palm Beach Day Academy would be pursued.

E. Internal Service Funds

1. Risk Management Fund

Finance Director Struder reviewed Fund 501 - Self Insurance Fund (Risk Management).

2. Health Insurance Fund

Finance Director Struder reviewed Fund 502 - Self Insurance Fund (Health Benefit).

F. Trust and Agency Funds
1. General Employee Retirement Fund
2. Firefighter Retirement Fund

3. Police Officer Retirement Fund
4. OPEB Trust

Finance Director Struder advised that there was some general information included in the back up material, relating to all of the retirement funds and trends in the contribution history,and funded ratio.

Ms. Struder referred to the OPEB Trust Fund, noting that the Town's contribution was increased per the actuarially determined amount to fund the Trust. Interest on investments was expected to increase to $1.2 million. The funds had been almost fully invested, through the Investment Advisory Committee. The expense budget (contractual) had increased due to investment management fees, custodial fees, and financial advisor fees.

In response to Council Member Markin, Ms. Struder explained that the expense increase was due to custody fees, investment advisor fees, investment management fees, legal advice fees, actuarial study, and fiduciary insurance, related to the newly created Trust Fund.

In response to President Kleid concerning the unfunded Federal and State mandates required of the Town, Mr. Elwell replied that a report was included in this regard on page 251 of the back up material presented. Some were for one time expenses, which were nevertheless having an impact for this budget year, and some were continuing annual expenses. He noted that the OPEB was not actually a legal mandate, but a GASBY requirement. If it was not complied with, the Town would lose its AAA Bond Rating, and it would have other unacceptable negative implications. Effectively, it was a regulatory mandate, as opposed to a legal mandate. The sum total of the unfunded Federal/State mandates was $10,918,495, with $5,234,00 as one time costs this year; $2,289,000 related to OPEB; the balance of $3,400,000 were expected mandates that would recur annually. He noted that the report was a very quick effort, and he expected that the comprehensive review of Town operations would result in a much more extensive report concerning the effect of mandates upon Town operations.

Council Member Markin commented that the State was asking for a $4 million budget cut, while at the same time, approximately $11 million of Federal/State mandated costs were being required.

VII. TOWN HALL FINANCING UPDATE

Town Manager Elwell summarized the three options for renovating Town Hall (with or without a separate facility for HR/IS):

- Option A: Current Approved Plan - $12.6 million
- Option B: Renovation of Town Hall without a HR/IS building - $9.25 million
- Option C: EssentialTown Hall Repairs and Minor Renovations Only - $6.7 million

Mr. Elwell advised that staff had explored using the Astorino floor plan on Option B, and the $9.25 million was a reasonable estimate for Option B, whether the old floor plan or revised floor plan was used. He explained that the Town Council had requested additional data before making a final decision. He addressed the question of Council Member Markin regarding the inefficiencies of the two building option, and the fact that IS would have to do some traveling. Mr. Elwell reviewed a list of pros and cons submitted by Spencer Wilson, Information Systems Manager; he summarized that staff believed that remaining with the prior decision of the two building alternative was in the best interest of the Town.

In reference to the question of President Pro Tem Coleman related to the portion of the debt service for the Town Hall renovations that would be paid by PZ & B building permit fees, Mr. Elwell reported that a very substantial portion of the debt service would be paid by PZ & B fees. He referred to the table included on page 3 of the back up material, providing the debt service figures, the cost allocations to PZ & B, and the cost to Town taxpayers.

Mr. Elwell recommended Option A, which was the option that the Town Council had previously chosen, because the broad base taxpayers of the Town would benefit more by the choice of Option A. Two-thirds of the debt service for the project would be paid by the PZ & B revenue stream. He explained that a decision needed to be made, because it would drive the financing for the project and the floor plan for the project.

Council Member Markin commented as follows:

- PZ & B fees could go into something that would generate long term efficiencies in PZ & B, as opposed to just paying debt service.
- Expressed disagreement with the justification for moving IS, and suggested that Option B at $9.25 million would be more cost effective than Option A at $12.6 million – the $4 million cost savings in the budget would thus be given to the Town Hall renovation project, if Option A was chosen.

Town Manager Elwell offered that at this point, staff was completing the first wave of the software upgrade for PZ & B and Finance. In less than one year, a complete overhaul of the system

would be accomplished. At this point, it was not anticipated that there would be a further significant capital need or major project need for improving the operation of PZ & B. In the context of the newly provided cost allocation figures, Mr. Elwell recommended moving ahead with Option A. He also noted that a decision would need to be made because the PZ & B permit fees would need to be recalculated, and that ordinance would come before the Town Council at the August 14, 2007, Town Council Meeting.

President Kleid noted that President Pro Tem Coleman was no longer present at the meeting, and questioned whether the vote should be delayed until the August 14, 2007, Town Council Meeting.

Mr. Elwell responded that the building permit fee ordinance could then be prepared both ways – with Option A and Option B.

Further discussion took place regarding the floor plan for the renovation project. Public Works Director Brazil responded to various questions related to logistics, construction costs, inflation, etc.

Council Member Coniglio commented that the Town Hall building was falling down and needed renovation. She suggested that the fees that would be recovered from PZ & B justified going ahead with Option A.

Council Member Markin disagreed, stating that Option A would involve building a new building for a small group of people, when staff reductions through attrition had been discussed. She expressed concern with logistical and practical issues related to having IS interface with staff and computer equipment in Town Hall.

President Kleid addressed the idea of attrition, noting that all of the people who would be leaving through attrition would not necessarily be coming out of the Town Hall building.

Council Member Brooks moved to expend $9.25 million to renovate the Town Hall building, starting on the north end of the building. Council Member Markin seconded the motion. On roll call, the motion failed: (President Coleman was not in attendance at this time).

Council Member Brooks:	**Yes**
Council Member Markin:	**Yes**
Council Member Coniglio:	**No**
President Kleid:	**No**
To break the tie vote:	
Mayor McDonald:	**No**

Council Member Coniglio moved approval of Option A. President Kleid passed the gavel and seconded the motion. On roll call, the motion carried 3/2: (President Coleman was not in attendance at this time).

Council Member Coniglio:	**Yes**
President Kleid:	**Yes**
Council Member Markin:	**No**
Council Member Brooks:	**No**
To break the tie vote:	
Mayor McDonald:	**Yes**

VIII. COMPREHENSIVE REVIEW OF TOWN OPERATIONS

Town Manager Elwell referred to the memorandum dated July 23, 2007, to the Mayor and Town Council:

Goal:

To provide a comprehensive review of Town operations, identify potential cost savings and non-tax revenue increases, estimating the impact of each alternative. A written report will be provided to the Mayor and Town Council in December, so that it can be reviewed in the January through April time frame. After that time, the Town Council would be in a position to make policy directions either to implement certain things right away during FY08, or to guide the preparation of FY09 budget.

President Kleid clarified that if the Town Council determined in April that there were savings that could be made, the FY08 budget could be opened up to effect those savings; if the savings were not necessary at that time, consideration could then be given to the FY09 budget.

Council Member Brooks remarked that the budget had been balanced this year with a substantial amount of fines, forfeitures and user fees, and that could not be done every year. He expressed concern that there had not been substantial cuts made in the proposed budget, although there were a number of reasons for that – i.e., the deadline looming to have a balanced budget by State law. In addition, there was concern regarding the impacts to employees with any quick change in direction with the benefit package. He noted that the benefit package for FY07 was $23.8% of the total budget; the proposed budget reflected 24.7%.

President Kleid further clarified that State law mandated that the budget is passed in September, and the reason for the slow and deliberate comprehensive review process was to have the opportunity to look at the overall picture, with the input of the citizenry.

Mr. Elwell stated that staff fully appreciated the impact of employee benefits on the overall budget, and how the cost of pensions had affected the Town budgets in the last five years. The comprehensive review would include review of the salary and benefit package, which was a major cost of the budget. The marketplace was important to keep in mind in this consideration, and that would drive decision making.

Mr. Elwell stated that the written report would identify choices of how service levels might be reduced, and the impacts and savings that would be involved with each one of the choices. It was the intent not to focus on broad based non-tax revenue, but to bring true user fees and additional penalties forward for consideration.

President Pro Tem Coleman commented that he viewed user fees as attributing the costs to those people who used more services, or caused the staffing level to be higher in order to control violations. He noted that he had always liked the idea of pay as you go, however, he was now much more in favor of GO bonded debt, to give people the opportunity to vote; the citizens could then be responsible for the level of expenditures, as opposed to the Town Council.

President Kleid clarified that it was the consensus of the Town Council that any fee increases would be user type fees, or for violations, and not broad based increases.

Council Member Markin commented that the largest expense liability was for the benefits package, and that she did not want to wait to see what other municipalities were doing, although she respected the idea of being competitive. She stated that she did not think anything should be treated as a "sacred cow" in the comprehensive review conducted by staff. She suggested that the benefits package was huge, and that it should be a part of the comprehensive review in order for staff to come up with a plan that would offer financial security for staff, and still provide residents with the level of service desired. She suggested that no one was interested in taking a machete to anything or making snap judgements, and if an insurance or benefits consultant could provide a good plan that would still give coverage, but in a more cost effective way, that idea could be entertained.

Mayor McDonald noted that the Town hired people from the same pool of employees as every other municipality, and the philosophy developed over the years of having Town employees in the top 25% would require taking a look at what neighboring municipalities were doing, so that compensation and benefits could be properly evaluated.

Council Member Brooks commented that he agreed with Council Member Markin, and that with the report of Human Resources Director Crouse with over 1,200 applications per year, it seemed that there was an abundance of talented potential employees.

President Pro Tem Coleman commented that he would prefer to follow the marketplace; one of the key factors was the morale of the staff.

Mr. Elwell summarized that he had heard unanimity regarding the time table for the comprehensive review, and that the benefit package would be included, however, he had heard mixed feelings regarding the importance of marketplace data.

President Kleid commented that the marketplace data was one of the important factors, and that there may be further legislative cuts, as well as other communities may react differently; the competitive position of the Town may be entirely different three months from now than it was today.

Mr. Elwell advised that staff would proceed with the schedule as set forth in the memorandum. He then addressed the special considerations section of the memorandum, stating that it had been indicated by several Town Council members that staffing levels would be reduced only by attrition.

Council Member Brooks moved that any reduction in staff would be done by normal attrition, not by any layoffs. The motion was seconded by President Pro Tem Coleman. On roll call, the motion carried unanimously.

In response to Council Member Markin, Mr. Elwell indicated that the attrition rate was approximately 7% per year. Currently, because of the hiring freeze, there were approximately 20 vacancies.

Council Member Brooks requested that staff bring forward the manner in which the hiring freeze was being handled at the August 14, 2007, Town Council Meeting.

Mr. Elwell clarified that, other than the particular things voted upon by the Town Council today, staff would proceed as set forth in the memorandum to the Mayor and Town Council, dated July 23, 2007. President Kleid concurred.

Mr. Elwell requested clarification as to whether the Town Council desired to establish a particular target for staff to use in the comprehensive review of Town operations.

Council Member Brooks replied that he was opposed to setting a target, and asked that staff do the best it could with the broad direction given. His goal was to reduce personnel, without any layoffs, by 5% for FY08, and another 2-3% for FY09. The consensus of the Town Council had included reviewing the benefits package as well.

Council Member Markin stated that staff should conduct the comprehensive review of all departments and come up with the best efficiencies possible.

IX. PROPOSALS FOR UPDATES TO FINANCIAL POLICIES

A. Contingency Fund Modification
B. Contingency Fund for Equipment Replacement Fund
C. RESOLUTION NO. 20-07 A Resolution of the Town Council of the Town of Palm Beach, Palm Beach County, Florida, Adopting a Contingency Reserve - Equipment Replacement Fund, and Amending the Contingency Reserve - General Fund; Providing an Effective Date.

Finance Director Struder reported that one new policy was being proposed, and a modification of another. The general fund contingency fund policy was proposed to be amended so that the reserve is funded through fund balance, rather than through the budget. A contingency reserve was being proposed for the equipment replacement fund of $100,000 per year that would be funded from the reserves of that fund; there would be no tax impact. Any amount spent from the contingency would require Town Council approval.

Town Manager Elwell read Resolution No. 20-07 by title, as printed above.

Motion made by Council Member Brooks, seconded by Council Member Coniglio to adopt Resolution No. 20-07. On roll call, the motion carried 4/1, as President Pro Tem Coleman was no longer in attendance at the meeting.

Town Manager Elwell advised that staff would now prepare the documents necessary for the adoption of the budget in September. Staff would continue to watch the market related to the competitive pay increase. If staff saw anything else that would change circumstances within the next thirty days, it would be brought to the attention of the Town Council, and addressed in September prior to the adoption public hearings. Absent any unusual circumstance, the next time the budget materials would be discussed would be at the first public hearing on September 11, 2007.

X. ANY OTHER MATTERS

There were none.

XI. ADJOURNMENT

There being no further business, the Special Town Council Meeting of August 6, 2007, was adjourned at 5:08 p.m.

Richard M. Kleid
Town Council President

ATTEST:

Susan A. Eichhorn
Town Clerk