# TOWN OF PALM BEACH

Office of The Town Clerk

## MINUTES OF THE SPECIAL TOWN COUNCIL MEETING HELD ON TUESDAY, JUNE 16, 2009

### I. CALL TO ORDER AND ROLL CALL

The Special Town Council meeting was called to order at 9:30 a.m. on Tuesday, June 16, 2009, in the Emergency Operations Center, 355 S. County Road, Palm Beach. On roll call, all of the 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.

President Rosow asked the Mayor if he had any comments, since it was not on the Agenda. There were none.

President Rosow asked if any Council Members had any comments, since it was not on the Agenda.

Council Member Diamond commented that he was pleased to see "No Tax Hike in Palm Beach" headline in the Sunday edition of the *Palm Beach Daily News*. He gave credit to the Town Manager and staff for bringing the Town to this level. He noted that the future of the Town is threatened and it may never see another headline like that again. He also gave a pledge to re-nourish the beaches.

### III. APPROVAL OF AGENDA

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

### IV. TOWN MANAGER'S OVERVIEW

Council President Rosow asked Council Member Wildrick, Chairman of the Finance and Taxation Committee, to introduce the Town Manager. Council Member Wildrick read a statement indicating that this year the Town revenues have not grown as in the past, and are down. Bearing this in mind, the staff working with citizens, have stopped the growth this year. However, even with all of the good work, the job is not done. To do that, they must keep working to ensure the town is sound in the future. The capital expenditure budget while

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approximately the same as last year, is too low to maintain the Town infrastructure. Further, the Town cannot any longer sustain the continued growth of pay and benefits as a percent of the total budget, or the Town will simply deteriorate. The Town must also find a solution to its shoreline erosion problems, as Council Member Diamond just mentioned, but there must also be a way to fund it. On each of the issues, there is a program in progress or about to be implemented to mitigate the problem. He emphasized that this budget that Town Manager Elwell will present only stops the bleeding temporarily.

Council Member Wildrick continued that the decisions made today and in the future will be required to protect the Town's financial well-being. Finally, he stated that working for many hours with the Town Manager and staff, as well as with many talented citizens, has really encouraged him to believe that the Town can, but will keep the Town in good financial condition. He introduced Town Manager Elwell to go over the details of the Budget.

A. FY10 Budget Preparation Process

Town Manager Elwell noted that the budget process started differently this year than in past years. He gave the Town Council a Power Point Presentation which was also submitted into the record. Starting with the long term financial plan, numerous Finance and Taxation Committee Meetings, the input of seven appointed Citizen Advisors, and staff sacrifices and commitment to solutions were some of the changes. Town Manager Elwell thanked the staff of the Town and the degree of which staff has been willing to sacrifice and work together.

Town Manager Elwell also highlighted the General Fund Budget Trends, Total Pay and Benefits Trends, Pension Trends, Capital Improvement Transfer, Coastal Protection Expenditure Trends, and Property Tax Revenue Trends.

Next, Town Manager Elwell then described the major cuts in the FY 10 Budget. The cuts were:

- Cut 10.41 Positions Town-wide w/out layoffs
- Total wage freeze for all employees
- Health insurance program changes
- Reductions in overtime
- Elimination of extraordinary longevity pay
- Non-personnel savings in every department
- Final year of software upgrade.

B. FY10 Proposed Budget

Town Manager Elwell summarized the FY 10 budget:

- FY10 budget is 2.8% lower than FY09
- Increased investment in Capital Improvements from $1.8 million to $3.4 million
- Maintained levels of service
- No fee increases (Except in recreation)
- Ad Valorem Tax Revenue is slightly less than FY 09
- Reduced future deficits.

Town Manager Elwell noted at the request of Council Member Wildrick to explain that this budget assumes the rolled back millage rate. The rolled back rate definition is the millage rate which, exclusive of new construction, will provide the same ad valorem tax revenue as was levied during the prior year. The State Tax Cap Rate definition is the rolled back rate increased by the level of last year's Personal income growth statewide (2.5%). Council Member Wildrick indicated that the Town Council would later be deciding upon one of the three options for the tax rate. He did not like the terminology of rolled back rate but said it really means increasing taxes. Council Member Wildrick said this would be a core choice and needed to be stressed in the onset. He said the Town needs to build up to $6 million in reserves to sustain streets and sewers in the future. Council Member Kleid indicated that even if the millage rate goes up, the assessed value goes down and there is no increase to the residents. Council Member Diamond stressed to keep in mind that two of the options would not create a deficit next year.

C. Plan of Action to Achieve Additional Cost Savings

Town Manager Elwell indicated that there is much work to be done. The plan of action for the future included:

- Pension benefit review
- Further review of health insurance program
- Review town compensation program
- Consider contracting for some services
- Consider other opportunities for staff reduction
- Increase level of collaboration in vehicle maintenance
- Review structure of Human Resources Department
- Create an Erosion Control District
- Analyze debt vs. PAYGO for capital projects
- Consider other options from CRTO (including Revenue Options)

Next, Town Manager outlined the three options for the Town Council to decide upon at the end of the meeting:

1. Existing millage rate 3.2512
   - $1.95 Million to CIP
   - "Average" taxpayer pays 2.9% less than FY09

2. Rolled back rate of 3.3659
   - $3.4 million to CIP
   - "Average" taxpayer pays the same as in FY09

3. State Tax Cap Rate of 3.4501
   - $4.46 million to CIP
   - "Average" taxpayer pays 3.1% more than FY09

Council President Pro Tem Coniglio asked questions about the three options and how they compare to other municipalities in the County. Town Manager Elwell responded that it would be lower than others, but Palm Beach does rely heavily on the property tax revenue.

Town Manager Elwell outlined the challenges for FY 10 and beyond. Some of the issues are:

- Declining Property Tax Values
- Poor economy
- Insufficient funding for capital projects
- Market losses and pension funding increases
- Deficits projected for FY12 and beyond.

Town Manager Elwell indicated that what was going to be discussed was basic infrastructure and continuation of services. Coastal Protection is an entirely different effort that will be discussed separately.

Council Member Wildrick stated that if the Town wished to maintain the numbers for ten years-there would be massive cuts in both services and staff. He noted that no one wants that and it would change the parameters of Palm Beach. Council Member Wildrick also stated that he had heard that only 1 million was cut from the budget, but what staff really did was to cut growth. Original expenditures were going to be 66 million dollars, but staff has taken it back to 63.8 million and he highly admires the ability and efforts of staff to stop that spending pattern.

## V. TOWN RESERVES

Finance Director Jane Struder presented the portion of the budget that pertained to the Town reserves.

### A. AAA Bond Rating Information from Bond Advisor

Finance Director Struder provided a memo to the Town Council regarding the AAA Rating Analysis. She was asked to determine the cost of borrowing if the Town's AAA rating were downgraded. She also included two letters from the Town's bond advisor, Mr. Michael Hole. If the Town downgraded from AAA to AA, the average annual debt service on a hypothetical $20 million bond issuance would increase from $1.49million to $1.56 million. If the Town was downgraded to an A rating, the average annual debt service would increase to $1.69 million.

**Council President Rosow stated that he thought there were only 60 municipalities in US that have AAA ratings and only 3 in state in Florida. He directed staff to obtain a list and confirm that information.**

Council Member Wildrick added that there were more than adequate funds in the Town reserves to keep the AAA rating. He clarified that he was not suggesting that the Town lose the ranking, but rather, the Town was in good shape with regard to reserves. Council Member Diamond expressed his opinion that he wanted the Town to keep their AAA rating.

B. Review of Town Reserves

Town Manager Elwell indicated that $3.6 million moved from general funds to the capital improvement projects would be an example of a one time transfer to help fund the capital expenditures in the future and would not be a recurring expense.

Council President Rosow asked Town Manager Elwell regarding contingency budgets that take money from the General funds. Town Manager Elwell explained that there were years when the funds were not used from contingency. He stated that an example was that the Town Council recently approved $250,000 from contingency to pave streets.

Council Member Kleid stated for the public that the Town has borrowed far less than what the capacity to borrow is.

Finance Director Struder continued describing in detail the risk fund, reserve for catastrophic exposures/emergencies and the recreation enterprise fund reserves. She noted that there is a $656 thousand dollar reserve balance remaining over the 25% required minimum level. There also is an equipment replacement fund, a designation of general fund balance for payment of the liability related to compensated absences leave balances, a health insurance reserve of $1.6 million, the OPEB (Other Post Employment Benefits) trust, contingency reserves, and undesignated fund balance/ retained earnings summary.

Council President Pro Tem Coniglio asked about the reserve for the catastrophic fund and if that was enough. Ms. Struder responded it would depend on the magnitude of the storm or event. Anything over $2.5 million in cost could use a budget amendment to obtain more funds.

VI. HEALTH INSURANCE PROGRAM MODIFICATIONS

Danielle Olson, analyst from the Human Resources Department, presented the health insurance plan proposed modifications. She presented a Power Point to the Town Council. She recommended that the Town Council authorize the Town Manager to implement the following changes to the Health Insurance Plan for FY10 to reduce employer costs while maintaining competitive market placement.

- Health Insurance Buy Up effective January 1, 2010
- Health Insurance Opt Out Incentive effective January 1, 2010
- Retiree Sliding Scale Premium Model for exiting retirees and employees hired on or before September 30, 2009
- Evaluation of fixed retirement medical subsidy for employees hired on or after October 1, 2009

Ms. Olson noted that currently there are three plans offered to employees: A PPO plan which is the 702 premium plan, a PPO plan which is the 719 base plan, and an HMO plan. She noted that the majority of the employees are currently in the premium PPO plan.

**Motion made by Council Member Kleid, seconded by Council Member Diamond to approve the three health care modifications as listed above, and evaluate the fixed retirement medical subsidy.**

Robert Shinedling, 6865 Kingston Drive, Lantana Fl, and retired firefighter/paramedic from the Town of Palm Beach spoke about his concern of the reduction or elimination of his health insurance benefits. He submitted a copy of his comments to the Town Clerk to submit into the record.

There was discussion among the Town Manager and Council Members regarding the pensions and health benefits of retirees. The pension is a fixed amount and the health benefit is a sliding scale. Council President Rosow also indicated that the majority of Palm Beach residents will be taxed higher than other municipalities in Palm Beach County. Most residents in Palm Beach (98%) have homes that are under three million dollars in value. Council President Pro Tem Coniglio asked Ms. Olson to provide an example of a dollar amount of a retiree going from a 50% to 62% fee based on the 2009 rates, and it would be approximately $75.00 per year.

Mr. Dash, retired firefighter, asked about the years of service and how it was calculated, if you were in DROP etc. Ms. Olson responded that your service years are calculated from your date of hire, and your last date of employment.

**On roll call, the motion carried unanimously.**

VII. REVIEW OF FY2010 PROPOSED BUDGETS

A. General Fund Revenues

Town Manager Elwell continued with the Power Point Presentation and discussed the General Fund Revenues. Council Member Wildrick asked where the growth had been in the past few years. Town Manager Elwell responded that revenues from building permits and an increase in building activity that was witnessed in prior years that has now declined. State law indicated that municipalities may not make a profit and the fees had to be recalibrated a few years ago. The Ad Valorem taxes had increased as a raw number. Town Manager Elwell noted that general fund revenues are $65,428,300 which is a 2.83% decrease from FY2009. Council Member Wildrick stated that the primary income in the Town is from real estate and the town is not getting the same revenue as it had in the past.

B. General Fund Expenditures - Program-by-Program Review

Town Manager Elwell went through the Power Point and each program. He indicated he would only discuss the department if there were questions, in order to save time.

- Legislative $118,700; .18% of Total Budget
- General Government $1,372,600; 2.10% of Total Budget
- Town Manager's office $857,600; 1.31% of Total Budget
- Advice and Litigation $402,500; .62% of Total Budget

Council President Rosow asked how many municipalities have a staff attorney. He raised the question since Town Attorney Randolph is approaching retirement. Mayor McDonald responded by stating that many municipalities do have their own in-house attorney. **Council President Rosow directed staff to put this subject on an action list for the future. Council Member Wildrick stated that there needs to be a succession planning process and have in position the next Fire Chief, Police Chief, Town Attorney and other key positions. Council Member Wildrick encouraged the Town Manager to develop a procedure and train for a minimum of one year a suitable successor.**

Council Member Kleid gave his opinion on an in-house attorney since he had previously been one. He noted that there are benefits and fees also associated with being in-house. Council Member Wildrick agreed with Council Member Kleid and stated that the savings may not be what you think. Council Member Diamond voiced his opinion that he thought the Town Attorney position should go out for bid once Town Attorney Randolph decides to retire.

- Information Systems $1,900,600; 2.90% of Total Budget
- Human Resources $690,800; 1.06% of Total Budget
- Finance $1,871,100; 2.86% of Total Budget
- Planning, Zoning and Building $3,903,600; 5.97% of Total Budget

Council President Rosow asked why the Town budgeted for overtime. Town Manager Elwell responded that there are instances of having overtime vs. a full-time staffer. He also cited examples of storm events which could not be scheduled and staff is needed for water management.

Council Member Wildrick stated that he had received several calls from residents asking why there was not a reduction in staff in the building department. Town Manager Elwell responded that the department had used contract employees and when it gets slower, the contract employees are not used. Council Member Wildrick said he needed further information. Mr. John Page, Director of Planning and Zoning explained that the contractual salaries have decreased 12% and Town Manager Elwell directed the Council to where that line-item was located in the budget.

- Fire-Rescue $12,397,580; 18.95% of Total Budget
- Police $15,569,000; 23.80% of Total Budget

Council President Rosow asked about fire-rescue calls and why the communication costs were so high. Police Chief Kirk Blouin responded that within the police budget, there is also the police dispatch, fire dispatch, and emergency medical calls with an average call volume 38,500 calls per year. There are people on duty 24/7, 365 days a year. If the Town were to use Palm Beach County dispatch, there would be a decrease in response time and level of service. Mayor McDonald said he would never suggest that the Town use County Dispatchers. **Council Member Wildrick highly recommended to both the Police and Fire chiefs to work with county and city dispatchers to resolve geography and knowledge issues**.

Council President Pro Tem Coniglio asked about the increased parking fees and Council President Rosow asked about returning to the use of parking meters. Town Manager Elwell indicated the revenue decrease in kiosks, but the total decrease was not worth changing the entire system. Council Member Diamond indicated he had received various complaints about the kiosks and did not like them. **The Town Council directed staff to look into the matter further.**

- Public Works $14,242,000; 21.77% of Total Budget

Council President Rosow asked about underground locates. Town Manager Elwell responded that it was when the Town pays to have things located on Town property, and not residential locates.

Council President Rosow asked about recycling efforts and if the Town receives any money back for its efforts. Public Works Director Paul Brazil indicated that the Town receives a reduced rate in solid waste fees. Action was needed on a memo that was distributed to the Town Council Members on the Commercial Solid Waste Fees Assessment.

**Motion made by President Pro Tem Coniglio, seconded by Council Member Diamond, to approve the Solid Waste Fees. On roll call, the motion carried unanimously.**

- Emergency Management $82,400; .13% of Total Budget

Town Manager Elwell made an announcement that the new City of West Palm Beach Library was open to anyone that could prove an address, anywhere. Mayor McDonald had asked the Town Manager to make the public aware of this added facility nearby.

C. Debt Service Fund

No comments

D. Capital Improvement Program

FY10 is the last year for bond payments for the Coastal Protection Fund. Discussion of creation an Erosion Control District would be voted upon later in the meeting. The separate tax and district will make it easier for residents to distinguish erosion-control costs from other town expenditures, and will make operating budgets less vulnerable to large-scale cost fluctuations associated with erosion-control costs, Town Manager Elwell said.

By having a separate tax district, the council could vote to override the state cap for coastal projects, if necessary, but remain still under the cap for general operations.

E. Recreation Enterprise Fund

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

a. Marina

b. Golf

c. Tennis

d. Recreation Programs & Events

e. Administration & General Maintenance

f. Capital and Equipment

Council President Pro Tem Coniglio asked about the increase in fees, particularly in tennis. Alan Brown, Assistant Director of Recreation, explained that the department had changed how they track the dock fees, and the bottom line numbers is only a 1.5% increase. Tennis was a 20% increase and is based on the market and is in line with that. In addition, the upgrades to the two facilities were anticipated to increase rates when they were completed, Town Manager Elwell indicated. Council President Rosow announced that he had previously worked in the recreation business, and now was not the time to raise rates.

**Council President Rosow directed the Recreation Department to re-look at rates and present a revised report at the July 14, 2009 Town Council meeting. Council Member Diamond also requests an update on the Par 3 Golf Course at the next Town Council meeting.** Council Member Kleid noted that the budget was approved and recommended by the Recreation Advisory Committee.

Thomas Bradford, Deputy Town Manager, explained Council Member Wildrick's request regarding the Worth Avenue Assessment District. Residents had heard that it was costing the Town 14 million dollars. Mr. Bradford clarified that the Assessment District property owners are paying for the improvements and no one else. The Town is getting reimbursed for the money they "loaned". By doing it through the Town, the owners can get more "bang for the buck" according to Council Member Wildrick.

F. Internal Service Funds

1. Risk Management

Town Manager Elwell noted that one of the Risk Management positions (part-time) had been eliminated.

2. Health Insurance

Town Manager Elwell reflects the reductions that were discussed earlier.

G. Trust and Agency Funds

Town Manager Elwell indicated that the Town will be having many in-depth pension discussions with the new pension consultant. He would not go into detail unless requested. He did note that the increase noted was the actuarial recommended number to follow and the Town Council votes upon it. He urged not to fund less than the actuarial recommendation. Council Member Wildrick informed the public that the multiplier is determined by the recommendation of the Town Manager to the Town Council. The structure and approval of the benefit are under the authority of the Town Council.

1. General Employee Retirement Fund

2. Firefighter Retirement Fund

3. Police Officer Retirement Fund

4. Health Insurance Trust

VIII. ANY OTHER MATTERS

Council President Rosow announced that the Council would be voting on the following action items:

The first was the 3 Options Balancing Tax Rate and CIP needs. Council member Wildrick noted that the decision today was a tentative one- but that it should be a decision of stewardship and how the Town will handle the people's money. He stated that the Town had a fiduciary responsibility to look into core values. Council Member Kleid noted that as a supermajority vote they could override the State Law and that could be the fourth option.

**Council President Rosow asked what the millage rate would be if it excluded the sewer and garbage fees from the taxes. Staff was directed to determine the amounts and report back to the Town Council.**

**Motion to approve Option 2 Roll Back Rate of 3.3659 made by Council Member Diamond, seconded by Council Member Kleid. On roll call, the motion passed 4-1, with Council Member Wildrick dissenting.**

The second item to vote upon was the pay policy for police officers. Council Member Diamond liked the policy and stated that the Town should not be held hostage to other municipalities. Palm Beach has many other benefits to offer that other municipalities do not. Mayor McDonald said he implemented the pay policy nine years ago with former Mayor Lesly Smith and wanted to hear from new Police Chief Kirk Blouin. Chief Blouin responded that he had been with the department for twenty years and there were times when the department was less competitive. He felt that the current proposal was a fair policy although some officers were concerned that they would not have a voice. Chief Blouin felt the police department would still be able to recruit good recruits. Council Member Wildrick complemented the Chief for telling the truth and admired him for it. It proves to the Town Council that they made the right decision in choosing Chief Blouin. Council Member Wildrick added that if in the future the policy does affect the police recruits, it can be changed.

**Motion made by Council Member Wildrick, seconded by Council Member Diamond, to remain in top quartile of pay in Palm Beach County. On roll call, the motion carried unanimously.**

The third action item was the creation of an Erosion Control District. Council Member Kleid stated that the assessments should be made for town wide residents and not just the residents that live on the beach. Council Member Wildrick indicated that Council Member Kleid was putting the cart before the horse. Council Member Wildrick said Town Manager Elwell was trying to take this element out of the budget to discuss the issue separately. Council President Pro Tem Coniglio agreed with Council Member Kleid and indicated that the erosion is a town-wide issue.

Bill Cooley, 8 Windsor Court, stated that he was offended that he should have to pay for the shoreline since he does not benefit from it. The district should assess based on shoreline residents and other landlocked residents should pay a lesser rate.

**Motion made by Council Member Diamond to start process to consider creating an erosion control district, seconded by Council Member Wildrick.**

Town Manager Elwell clarified that this item was only a study into creating a district and does not affect the millage rate. He recommended it stand alone as a taxing district but the assessing comes later. Council Member Wildrick stated that he was a beach person and was in favor of stability in management and transparency. He felt this was a better way to manage the shoreline. Council President Rosow indicated that he lived on intracoastal. He said that if he lived inland, his property taxes would be less. The condos on the water are valued higher because they do pay more and a higher share of taxes because of the location.

**On roll call, the motion carried unanimously.**

**The next item was a vote to transfer $3.6 million from the General Fund Balance to the Capital Improvement Program. Motion made by Council President Pro Tem Coniglio, seconded by Council Member Diamond. On roll call, the motion carried unanimously.**

Council President Rosow asked if there were any other matters to be discussed. Council Member Wildrick wanted to clarify his statements about the referendum that occurred at the last Town Council meeting. He had discussed the issue with Town Attorney John Randolph and was assured that a judicial decision should be made prior to the next Town election in February 2010.

**Council Member Diamond made a motion to place the item on the December agenda for discussion.**

Bill Cooley 8 Windsor Court, stated that the item was not on agenda and should be discussed by all of the people involved. He suggested putting the item on the July Town Council Meeting Agenda. Council Member Wildrick agreed and added he would also like it to be an item on December 6th.

**Council Member Diamond withdrew his motion.**

IX. ADJOURNMENT

There being no further discussion, the June 16, 2009, Special Town Council meeting was adjourned at 1:30 p.m.

APPROVED:

David A. Rosow
Town Council President

ATTEST:

Joanna Cunningham
Town Clerk



01/29/2010