



TOWN OF PALM BEACH

Office of The Town Clerk

MINUTES FROM THE SPECIAL TOWN COUNCIL MEETING HELD ON TUESDAY, MARCH 25, 2003

I. CALL TO ORDER AND ROLL CALL

The Special Town Council Meeting was called to order at 9:30 a.m. on March 25, 2003, by President William J. Brooks in the Town Council Chambers.

On roll call, the following Elected Officials were found to be in attendance:

Mayor Lesly S. Smith
President William J. Brooks
President Pro-Tem Norman P. Goldblum
Councilman Samuel C. McLendon
Councilman Allen S. Wyett

Councilman Jack McDonald was absent from the meeting.

Also attending for all or part of the meeting were:

Town Manager Peter B. Elwell
Assistant Town Manager Thomas G. Bradford
Town Attorney John C. Randolph
Finance Director Jane Skittone
Assistant Finance Director Cheryl Somers
Public Works Director Al Dusey
Assistant Public Works Director Paul Brazil
Town Engineer James Bowser
Human Resource Director William C. Crouse
Planning, Zoning & Building Director Robert L. Moore
PZ&B Administrative Aide Linda Corbett
Fire-Rescue Chief Kent Koelz
Recreation Director Russ Bitzer
Recreation Supervisor II Alan Brown
Golf Pro Rick Dytrych
Police Chief Michael S. Reiter
Police Major Gary B. Sallenbach
Police Planner Lisa Gorman
Risk Manager Karen Temme
Information Systems Manager Spencer Wilson
Town Clerk Mary Pollitt

II. INVOCATION AND PLEDGE OF ALLEGIANCE

The invocation was given by Town Clerk Pollitt, and President Brooks led the Pledge of Allegiance.

III. APPROVAL OF THE AGENDA

Councilman Wyett made a motion to approve the agenda. The motion was seconded by Councilman McLendon and carried 4-0 on roll call as Councilman McDonald was absent from the meeting.

IV. RESOLUTIONS AUTHORIZING THE ISSUANCE OF BONDS
[Peter B. Elwell, Town Manager]

Town Manager Elwell reported that Moodys' and Standard & Poor's rating services upgraded the Town's bond rating, and both of them did that as related to Revenue Bonds, the type that will be authorized at this meeting. He added that Standard & Poor's has upgraded the Town's rating to AAA for General Obligation bond purposes, and the Town of Palm Beach is one of only three municipalities out of over 400 in the State of Florida that maintains a Triple A bond rating with both Moodys' and Standard & Poor's. He complimented the Mayor, Town Council and staff for the fiscally conservative policies that led to these ratings.

Mayor Smith expressed her appreciation to the Finance Department and the Council. She said the Town has always had a conservative policy in the Town, and the Town will continue to do so.

Mr. Elwell said the passage of the resolutions at this meeting will allow the staff to move forward with the bonds as presented at the March 11th meeting to issue \$6 million worth of new bonds for a thirty year debt to finance the Fire-Rescue station and the Town Hall projects and to refinance for the remaining seven years to obtain a better rate and lower payment on the beach bonds that were issue three years ago.

Michael Hole, Salomon Smith Barney Inc., said several details and scenarios were explained at the March 11th meeting, and the direction from the Town was to go forward to put the Town in the position to enter the market with both a refunding series, which is called Series 2003A, which refunds the beach bonds, lowers the interest costs closer to 3% from the current 5% without extending the term and the final maturity of January 1, 2010. He continued that the Council's direction also involved borrowing an additional \$6 million for the Fire-Rescue project and Town Hall renovation which will be amortized over a thirty year period. Mr.

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Hole said for the \$6 million, the costs will be approximately \$400,000/year in annual debt service or a millage equivalent basis of approximately \$52/\$1 million property value. He noted that millage is not pledged to these bonds, neither the refunding bonds nor the new money bonds, but millage is simply an obligation of the Town's General Fund from which it collects the non-ad valorem taxation.

Mr. Hole said the new higher ratings will help with the rate, and the parameters in the upcoming resolutions will limit the financing team going into the market with the not-to-exceed interest rate on the refunding bonds at 3.5%; the new money financing is capped at 5.25% (for 30 years). Mr. Hole said, if the resolutions are passed, he will work with the Town during the next several weeks or months to go into the market taking advantage of the interest rates.

Responding to Councilman McLendon's question regarding the amounts shown in the resolutions, Mr. Hole replied that costs and reserve amounts are added to the proceeds to determine the actual amount the Town will receive.

a. Resolution No. 12-03

Town Attorney Randolph read Resolution No. 12-03 by title:

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PALM BEACH, PALM BEACH COUNTY, FLORIDA, AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$19,800,000 TOWN OF PALM BEACH, FLORIDA REVENUE BONDS, SERIES 2003A (BEACH RESTORATION PROJECT) FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE TOWN'S REVENUE BONDS, SERIES 2000 (BEACH RESTORATION PROJECT) ISSUED TO FINANCE THE COSTS OF IMPROVING, RESTORING AND RENOURISHING OF BEACHES LOCATED IN THE TOWN OF PALM BEACH, FLORIDA; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$6,500,000 TOWN OF PALM, BEACH, FLORIDA REVENUE BONDS, SERIES 2000B (CAPITAL IMPROVEMENT PROJECT); AUTHORIZING AND DIRECTING THE TOWN MANAGER OR THE FINANCE DIRECTOR TO "DEEM FINAL" THE PRELIMINARY OFFICIAL STATEMENT RELATING TO THE BONDS FOR PURPOSES OF RULE 15c2-12 OF THE SECURITIES; AUTHORIZING AND DIRECTING THE MAYOR, TOWN COUNCIL MEMBERS, THE TOWN MANAGER, THE FINANCE DIRECTOR AND OTHER PROPER OFFICIALS OF THE TOWN TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS AND INSTRUMENTS AND TO DO AND CAUSE TO BE DONE ANY AND ALL ACTS AND THINGS NECESSARY OR PROPER FOR CARRYING OUT THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND PROVIDING FOR AN EFFECTIVE DATE.

Councilman Wyett made a motion to approve Resolution No. 12-03. The

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motion was seconded by President Pro-Tem Goldblum and carried 4-0 on roll call as Councilman McDonald was absent from the meeting.

b. Resolution No. 13-03

Attorney Randolph read Resolution No. 13-03 by title:

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PALM BEACH, FLORIDA, SUPPLEMENTING TOWN RESOLUTION NO. 12-03 TO AUTHORIZE THE NEGOTIATED SALE OF TOWN OF PALM BEACH, FLORIDA REVENUE REFUNDING BONDS, SERIES 2003A (BEACH RESTORATION PROJECT) AND TOWN OF PALM BEACH FLORIDA REVENUE BONDS, SERIES 2003B (CAPITAL IMPROVEMENT PROJECT); APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE SERIES 2003 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE SERIES 2003 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT; REQUIRING COMPLIANCE WITHIN CERTAIN STATUTORY REQUIREMENTS; AUTHORIZING THE PURCHASE OF A BOND INSURANCE POLICY AND/OR RESERVE ACCOUNT CREDIT FACILITY; AUTHORIZING THE EXECUTION OF THE COMMITMENT IN CONNECTION WITH THE BOND INSURANCE POLICY AND RESERVE ACCOUNT CREDIT FACILITY SURETY BOND; AUTHORIZING AND DIRECTING THE TOWN MANAGER AND FINANCE DIRECTOR TO DETERMINE CERTAIN OTHER DETAILS OF SAID SERIES 2003 BONDS WITHIN THE PARAMETERS SET FORTH HEREIN; AUTHORIZING THE PROPER OFFICIALS TO DO ALL OTHER THINGS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF SAID SERIES 2003 BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.

President Pro-Tem Goldblum made a motion to approve Resolution No. 13-03. The motion was seconded by Councilman McLendon and carried 4-0 on roll call as Councilman McDonald was absent from the meeting.

V. RESOLUTION NO. 11-03 – CENTRAL FIRE STATION BID AWARD – SEALED BID NO. 2003-01 [Albert P. Dusey, Director of Public Works]

Town Manager Elwell reported the lowest, responsible bidder was Butler

Construction Company in the amount of \$3,626,500 to do the major construction of the building. He continued that related costs for the building are set forth in a budget attached to the resolution including traffic signal and utility work, outfitting the building, the professional fees related to the over-sight of the construction of the building, and a 9.3% contingency resulting in a total amount covered under Resolution No. 11-03 of \$4,252,580.

Town Engineer Jim Bowser, responding to a question from Councilman Wyett, said construction will tentatively begin on May 12th with occupation of the building scheduled for July 2004.

Attorney Randolph read Resolution No. 11-03 by title:

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PALM BEACH, PALM BEACH COUNTY, FLORIDA, AWARDED A CONTRACT TO BUTLER CONSTRUCTION COMPANY FOR THE CONSTRUCTION OF THE CENTRAL FIRE STATION, SEALED BID 2003-01.

Councilman Wyett made a motion to approve Resolution No. 11-03. The motion was seconded by Councilman McLendon and carried 4-0 on roll call as Councilman McDonald was absent from the meeting.

VI. BUDGET MATTERS [Peter B. Elwell, Town Manager]

A. STATE OF THE TOWN'S FINANCES FY 2003

Town Manager Elwell identified some sources of revenue that are behind projections; however, the Town is not in the same position that it was one year ago as no major source of revenue is substantially behind expectations and the Town should end the year in the black.

President Brooks noted that the financial report distributed monthly keeps the Mayor and Town Council informed of any variations from the budget.

Mr. Elwell noted the direct connect alarm fees were lowered and the expectation is that less revenue will be collected than initially planned; the EMS transport fees are behind for two reasons: 1) fewer transports this year than in prior years that were used for estimating purposes, and 2) the Town will not collect 12 months worth of revenue during the first year of operation with the collected amount at approximately \$200,000 in lieu of the projected \$320,000. He added that interest earnings are down because a conservative 2% return was estimated while the actual has been 1.5%; although the recommendations of the Investment Advisory Committee will improve that slightly but not enough to be optimistic to meet the \$800,000 target by the end of the fiscal year, and that amount was revised to

\$585,000. Mr. Elwell noted the calculation of the local option gas taxes by the State was not correct resulting in lower revenues of \$124,000.

Mr. Elwell said the Town expects to collect the estimated ad valorem revenue and expenditures are expected to be slightly under estimates. He said the expenditures are slightly higher at this time of the year because of purchases made early in the year, and all departments should be at or below their expenditure budgets.

Mr. Elwell reported the fund balance at the end of the fiscal year 2002 was \$15,212,417 or slightly over \$3 million in excess of the 25% necessary to be set aside to comply with the policy the Town has adopted. Mr. Elwell said the next fiscal year will be as challenging or more challenging than the previous year without any particular end in sight for this strained economic situation, and this is exactly the circumstance that the policy presumes some of the excess fund balance might be used, but it is premature to discuss that use at this time.

Councilman Wyett said he was concerned about Mr. Elwell's statement of having to dip into the reserves, and he liked the \$3 million cushion. He urged if it can be deferred, the Town shouldn't spend it.

B. GOLF COURSE FUNDING PROPOSALS

Town Manager Elwell said staff identified a concern last year during the budget process regarding the golf course funding, and the Town Council asked staff to address the continued concern relating to the financial performance of the golf course. He continued this was a concern in the early 1990's with a financial action plan prepared at that time to make the golf course more profitable, and those steps were taken.

Mr. Elwell said the golf course falls short of operating in the black, and the long term prospects to provide retained earnings for the capital needs of the golf course have not been realized. He continued that suggestions for the operations of the golf course can be considered, but it is not a reasonable expectation that the golf course will ever be financially successful to stand on its own two feet for retained earnings or the capital investment necessary to make the improvements over time to upgrade the course or keep the course in first class condition with those types of investments running into the hundreds of thousands or millions of dollars.

Mr. Elwell stated the golf course, over the years, has been recognized as being of value to the Town, broader than just playing golf on the course, including the preservation of green space, the reduction of intensity of development that could occur at that site, and therefore subsidies were made from the General Fund over the years.

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Mr. Elwell identified some of the suggestions to increase revenue at the golf course: increase food service, but that would need additional capital for structural changes; opening the course earlier in the day with a change in the maintenance schedule; and explore a project to reuse waste water for irrigating the golf course which may save up to \$80,000/year in operating costs but would require a \$600,000+ capital investment.

Mr. Elwell added this past year has been a difficult time for golf courses in the area resulting in a couple of closings, and the total impact of the financial situation at the golf course is, as of the last fiscal year, the golf course fund owed the General Fund \$265,000. He noted it would take some time to repay that debt and set aside any meaningful sum of retained earnings for future capital work. He said that the staff does not think the prospects are such that the Town can reasonably expect to achieve that.

Mr. Elwell said the staff will continue to strive to make improvements at the course in terms of reducing the costs of operations and increasing revenues; however the following three recommendations are intended to acknowledge the long term reality of the inability of the fund to stand on its own: 1) to terminate the golf course enterprise fund and make it a part of the General Fund; 2) combine the golf course fund with the marina fund operation, an enterprise fund that is profitable; and, the suggested alternative, 3) combine the golf course, the marina, and the Recreation Department operations into a single leisure services enterprise fund. He said the reason to extend the concept further, no. 3, is the character of the services provided by the Recreation Department that are similar to the marina and golf course operations. He added the combination relieves the General Fund of its approximately \$600,000 annual subsidy for recreation services, and many municipalities who provide recreation services that do not pay for themselves group these activities together. He reiterated that if the three are combined, the rates at the marina will be established only due to changes in the market place and not due to any requirement to offset the costs of operating the Recreation Department programs and the golf course.

President Pro-Tem Goldblum said he basically, financially, liked the concept, but the golf course is a private enterprise in itself. He requested the Town Manager check the market rates for public golf courses and check all the contracts, considering that the golf course be run as a private business would be.

Councilman McLendon stated his concern was that the combination would remove incentives for the losing departments to look for corrective alternatives.

President Brooks said the trend line indicates the golf course will not operate as a stand alone fund and suggested considering a business model for that enterprise. He supported Mr. Goldblum's suggestions in addition to a new model of operation.

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Councilman Wyett said this was a unique opportunity to evaluate the Town's services in the recreation area, and his concern was that incentives are not in place. He continued that an error was made when the Golf Committee was eliminated, and no direct overseer is connected with the golf course, and the total picture should be considered before the Town Council authorizes the merging of the funds. He added the funds should be merged, but before that is approved, a plan of operation, including incentives, with a business plan should be prepared.

Mr. Elwell said the staff shared the concerns of the Town Council regarding losing the measures of performance of any one of the operations within the mix of having the three together, and the plan would be to have them continue to be trackable as separate programs. He said the staff is committed to making additional improvements at the golf course to have it as profitable, operationally, as it can be, and Russ Bitzer, Director of the Recreation Department, will be responsible for continuing to make improvements in the golf operation. He continued that the procedure will continue through the FY 2004 budget process. He asked the Town Council to consider some direction, preferably telling the staff to move in the recommended direction, related to the Council's level of comfort with the financial management approach separated from the operational management approach which will be conducted as requested by the Town Council.

Bill Guttman, CEO of the Palm Beach Civic Association, speaking on his own behalf, said he personally supported the idea of leisure services enterprise fund, and the great challenge for most of the programmatic activities is to come up with outcome measurements to evaluate the effectiveness and efficiencies of most of the Town's programs. He continued what is ideal about the leisure service enterprise fund is a proxy for profit is not needed, and a gauge of profit can be focused on. He said combining them for financial purposes makes sense in terms of flow of funds. He expressed his concern for the Town Council and the Town management to focus on the lines of business that compose the big leisure fund and the compensation and other types of financial incentives for those managing the business-like enterprises depend on some extent on the profitability or at least the revenue and expenditure controls that are going on within that particular line of business.

Mr. Guttman concluded that while he urged the adoption of the concept for fund flow purposes, he equally urged the Town Council require line of business reporting as Town Manager Elwell mentioned.

Councilman Wyett said raising the fees won't solve all the problems, because there are competitive limitations on what can be charged. He stated that incentives are needed for management to do better, and that is part of the problem.

President Pro-Tem Goldblum made a motion to combine the three funds, golf course, Recreation Department, and marina, into a leisure fund effective

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October 1, 2003, and instruct management to look at the two enterprise funds, golf and docks, and plan to put them on a business, profitable basis to include every segment of each enterprise fund. The motion was seconded by Councilman McLendon.

Town Manager Elwell said he did not want the Mayor and Town Council to think the Recreation Department programs will ever be able to close the \$600,000 gap and this would be one of the operations within the enterprise program. Mr. Elwell clarified the intent of the motion was to make sure the staff continues to do everything possible to make golf operationally, annually in the black.

President Pro-Tem Goldblum said that was fine.

Mayor Smith said the golf fund will never pay for itself, and this has been considered for the past eleven years and each year the revenues go down and the expenses go up. She continued that the golf pro, Rich Dytrych, appears before Finance & Tax and lines everything out as far as a business model and many efforts were made every single year. She stated the program will never make money.

Mayor Smith, referring to the Recreation Center, said although everyone loves the programs, they will never make money. She said a business model could be prepared, but the programs will never be paid for, and the Mayor and Town Council will continue to provide programs for the residents of Palm Beach. She stated it can never be looked at as a money making proposition, because it will never happen. She expressed concern combining the programs as this was not realistic.

Mayor Smith said the golf course is protected under the green space amendment, and the Town will maintain that open space for the benefit of the Town.

President Brooks clarified that the discussion regarding a business model was intended to reduce the current loss and look at the method of operation, especially areas where money is being made and the Town receives no part of it.

Mr. Elwell said his concern was in the specific areas of Mr. Goldblum's motion where he talked about making all three areas profitable.

President Pro-Tem Goldblum said he changed the motion to two areas. He said it is known that there are areas in the golf course operation that can stand improvement.

On roll call, the motion to combine the 3 funds and review the operations carried 4-0 as Councilman McDonald was absent from the meeting.

C. POTENTIAL MAJOR BUDGET CHANGES FOR FY 2004

President Brooks stated his goal for FY2004 is to hold the millage rate as it is. He said he does not see any signs of encouragement for the economy despite the recent increases and decreases, and it is imperative that this be the goal.

Town Manager Elwell said the staff appreciates the fact that this year is every bit as challenging and more so than last year, and to find savings wherever possible and try to generate some additional revenues if possible. Mr. Elwell said, based on some of the comments made at this meeting, if the Town Council gives direction to the staff to prepare a budget that does not include a tax increase, that would be helpful in preparation of the FY2004 budget.

Mr. Elwell said the staff identified its best, honest projection of items that will change substantially, both as to revenue and expenditure, particularly from the point of view of revenues that will not measure up to projections, and items of expenditure that will be above and beyond what is in the existing budget. He requested if the Mayor and Town Council identify any items not acceptable given the financial climate the Town is in, please inform staff to save time and effort in the preparation of the budget to be presented in June.

Councilman Wyett requested each department identify savings from the previous budget, and it is time for the Town to cut back.

Mr. Elwell recalled the departments did a tremendous job preparing the FY2003 budget, cutting day to day operations, and the departments intend to continue to find savings wherever possible.

President Pro-Tem Goldblum said he figured income would be short approximately \$3,400,000 for FY 2004, considering the list submitted by the Town Manager of items that need to be done. He requested the department heads speak to items that can be reduced to bring the amount down to approximately \$1 million.

Mr. Elwell responded the insurances and the retirement program were big hits for the Town last year plus some additional items. He continued the items presented to the Council at this meeting were not fully developed and the list was intended to alert the Council to see if they wanted to proceed with these items.

Mr. Elwell identified the following major changes to revenue sources:

Direct Connect Alarm Fee	(\$ 75,000)
Interest Earnings	(\$137,000)
Local Option Gas Taxes	(\$136,000)

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Occupational Licenses	\$ 14,500
Recreation Revenue	(\$296,250)

Mr. Elwell identified the following potential major changes to expenditures:

\$55,000	Police Department	Audio/Visual equipment	for motorcycles
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Town Council directed this item stay on.

\$255,000	Fire-Rescue Department	Add 3 shift commander positions
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Town Council took no action on this.

After reviewing the first two items, the Town Council directed Mr. Elwell to simply highlight the remaining items (with no Town Council action) with Risk Manager Temme explaining the increase in insurance costs.

\$30,000 – \$750,000	Expansion of Lethal Yellowing Program
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\$100,000	Information Systems Hardware purchases
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\$27,000	GIS hardware for workstations and peripherals for Public Works
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\$42,000	GIS software for public safety vehicle locator and mobile mapping
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(\$931,087)	Effect of moving the Recreation Dept. from the General Fund to the Leisure Services Enterprise Fund
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\$350,000	Risk Transfer 15% increase in W/C and 20% increase in all other lines
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Risk Manager Karen Temme explained the preliminary indications are the Workers Comp market is hardening in the State of Florida, and the Town is self-insured to a certain point. She said she is doing an RFQ and RFP for the entire insurance market and in doing that, the hope is to receive some good coverages and premiums for the Town despite the market conditions. She continued that the Town has used the same broker for the past 26 years, and by putting this out to the market, every broker could bid on the package and coverage.

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Ms. Temme continued the property market is more stabilized at present, but world events and hurricane season could affect the market before October 1, 2003, which is the Town's renewal date.

???	Increase in Retirement Contribution
\$400,000	Estimated 10% increase in Health Insurance Transfer
\$500,000	Merit Pay Increases
???	General Pay Increase
\$50,000	Feral Cat Program
\$450,000	1% to 2% contingency increase per policy
???	Undergrounding (utility lines) study
???	Parking and Traffic Study
???	Town Newsletter
\$71,500	Capital Improvement – Add tennis court at Phipps Ocean Park
\$320,000	Alternate proposal to add 3 tennis courts at Phipps
\$25,000	Lighted Pedestrian Walkway
\$400,000	Increase transfer for pay-as-you-go drainage program
\$369,000	Debt service

Councilman McLendon said he wanted to be on the record as opposing the pay-as-you-go program for drainage improvements.

Bill Guttman, speaking personally in no official capacity, said the proposed increase from 1% to 2% in the contingency fund needs some study by the Town Council because the contingency item basically assures a balanced budget as required by State Statute. Mr. Guttman continued that percentage should relate to some degree to the staff's confidence in the estimating process for forecasting for the budget.

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Mr. Guttman commented on the tennis courts, and it would be interesting to show the programs as separate line items. He said if programs are to be subsidized, the Council should come up with some kind of standard as to how much the subsidy should be. He suggested if the subsidy exceeded the amount of property taxes and other costs associated with leaving the property as open green space, then maybe the course should be closed. He said the Town Council needs to deal with the subsidy issue and suggested standards or perspectives on the amount of the subsidies.

Responding to a question from President Brooks regarding health fund reserves, Finance Director Skittone replied the reserves were close to \$15 million.

Councilman Wyett commented on the general pay increase for FY2003, and suggested revisiting and finding an equitable way to calculate merit and pay increases or merge merit and pay increases.

VII. ANY OTHER MATTERS

Mr. Elwell announced the Finance & Taxation Committee will meet on Monday, July 7th.

VIII. ADJOURNMENT

The meeting was adjourned at 11:16 a.m.



William J. Brooks, Town Council President



Mary A. Pollitt, Town Clerk