

**VILLAGE OF PALM SPRINGS
VILLAGE COUNCIL MINUTES
BUDGET WORKSHOP MEETING, JULY 18, 2009**

Mayor John M. "Mike" Davis called the workshop meeting of the Village Council to order at 8:30 a.m.

Present: Mayor John M. Davis, Vice Mayor Patti Waller, Mayor Pro Tem Bev Smith, Council Member Joni Brinkman, Council Member Doug Gunther, Village Manager Karl E. Umberger, Village Attorney Glen J. Torcivia, and Village Clerk Virginia M. Walton.

Also present were: Finance Director Rebecca Morse, Land Development Director Bette Lowe, Public Service Director Bill Davis, Leisure Services Director Bill Golson and Library Director Elena Romeo.

Vice Mayor Waller led the Pledge of Allegiance.

ORDER OF BUSINESS

1. Opening Remarks by Village Manager

While Palm Beach County and most other municipalities wrestle with cutting services and reducing staff, Palm Springs, in spite of a 26% decline in property tax revenue and approximately a 10% reduction in other revenues, is proposing a balanced budget as presented. Twelve years ago, the Council's decision to preserve the Village's future by starting an aggressive annexation initiative, updating infrastructure and building a healthy reserve fund has allowed the Village to now have enough cash on hand to keep the Village running for at least six months, have an emergency fund to respond to natural disasters and maintain the quality of life and services in this community. The conservative approach to spending and saving for the past twelve years now shows in the reserve funds available and a strong workforce. Anticipating the downward trends in the market and revenues, the department heads were not allowed to increase budgets for costs they could not control. The department heads have done a good job on containing costs and a line item, called the conservation carry forward fund, in this budget reflects the real time savings. This will be used to balance the budget as presented.

This budget was, however, challenging. It is again conservative due to the many unknowns of our future base and revenues. The Property Appraiser had commented that we could expect another 10 – 11% decrease next year. The budget reflected a decrease in spending from last year. If approved, the transfer of fire/rescue to Palm Beach County would reflect an approximate decrease of 21% in millage over last year. That would be a 4.33 to a 3.50 mils. However, the cost of fire/rescue would be moved to a separate line item on the TRIM Notice Tax Bill received by our residents and will reflect an increase overall. Annexations are continuing along Military Trail, the residential properties behind it, and the Lake Worth corridor; and an annexation incentive program with Palm Beach County is being utilized in conjunction with the annexations. This is creating a tax base that the Village can build on once recovery takes place. The Village continues to invest in our assets such as roads and parks, and the Village will see redevelopment going forward,

with several large projects that will create work centers for our residents. The Village's key challenge will be the growth around us and traffic issues associated with that growth.

After reviewing the budget, there will be a discussion of further cost saving items, as well as future avenues of savings for the Village to consider.

2. Proposed 2009/2010 Fiscal Year Budget

a. General Fund (by Department)

1. Revenues

Mayor Pro Tem Smith asked Director Lowe about the increases noted for occupational licensing and business permits. Since there were many businesses going out of business, what was this based on. Director Lowe responded that businesses have been holding rather steady thanks to the commercial annexations; however, there has been a loss of approximately 50% from rentals and home occupational licenses.

Council Member Brinkman asked what the traffic enforcement estimate revenues were based on. Manager Umberger responded that the estimates were conservative based on the intersection studies done by the Company. Also the Tax Collector was finally making payments that should have been coming to the Village. The previous formula used was shorting the Village about 60% of the funds.

2. Expenditures

There were no questions or comments on the General Fund, Finance, Legal, Library or General Government expenditures.

Council: with regard to one Legislative Line Item Detail, Mayor Davis stated the Council Contingency Fund had been a line item for several years; and was in case something catastrophic happened during the budget year, there would be an available fund to draw from.

Executive: Vice Mayor Waller asked about the large increase to the line item "other contractual services". Manager Umberger responded that the increase was because the Supervisor of Elections was shifting more costs for municipal elections to the individual municipalities.

Land Development: Mayor Pro Tem Smith asked Director Lowe about the increase for the operating supply cost. Director Lowe responded that there was a new building permit software installed by Munis that would tie into the finance software. The current system had no support back up, was out of date and had never been user friendly. The new system would also be more accountable from an audit standpoint. Manager Umberger added that since building projects had slowed, this was a good time to install and work out all the bugs with the new system. Vice Mayor Smith asked if it would no longer be necessary to look through archives for older permit information. Director Lowe responded this software would be from the present on forward and archives would still be necessary

for older permits.

Fire/Rescue: Mayor Davis stated this was self-explanatory with no budget requests pending transfer to the Palm Beach County MSTU.

Law Enforcement: Vice Mayor Waller commented that they were doing a good job. Manager Umberger added that this year in particular, the Council had individually taken a lot of interest in the budget and had asked a lot of questions prior to this meeting. Mayor Davis responded that it was good to know they all took a real interest.

Sanitation: Mayor Davis stated for the record that there were no expenditures for salary because this had been contracted out to Republic Services as of the current budget year.

Roads and Street: Vice Mayor Waller asked why the line item for gas and oil was less than last year. CFO Morse joking stated she does not often give a department compliments, but Director Davis had reworked his system for his personnel responding to services and the new system was much more efficient. There had been some lower cost in fuels, but the efficiency of the new system was the major change. Mayor Davis commented that he had always said Becky and Karl made bark on a tree look loose, and evidently that was rubbing of on Bill.

Leisure Services: Mayor Pro Tem Smith stated that from the revenue standpoint, there had been an estimated increase from adult athletics. Was this something that the Village was already seeing, or was something going to be done to promote the increase. Director Golson responded that there was already a good participation in adult athletics, and it was mostly a coordination issue with other cities that had comparable leagues. Leisure Services was planning on being more aggressive to produce more revenue, possibly creating a co-ed softball league. The Village has a lot of programs for the children and for seniors, now the adult programs, 18 – 65 age range, were being looked at for adults. Based on the economic times, there was a trend around the country for more grass route local recreational outlets closer to home.

Mayor Pro Tem Smith asked if Director Golson had looked into more Saturday programs for children since more parents are working longer hours. Not the big sports things, but the smaller classes offered during the week. Director Golson responded that they had started speaking with some of their instructors about offering Saturday classes. Saturday was looked at more as an outlet for “informal recreation”, such as our parks, water park and pavilion, and even the volleyball courts were constantly used. Part of the role of the Village was to provide the walk-up, not planned or structured, spur of the moment activities. Structured programs are tougher to commit to on a regular basis.

Special Events: Vice Mayor Waller commented that she was glad to see that all events had been kept in the budget. Mayor Pro Tem Smith stated that she understood that there had not been a lot of outside advertising for the July 4th event, which had been a success. Mayor Pro Tem Smith stated she was a proponent of providing for our residents first. Possibly, our other events could be advertised more internally as the Village trimmed down expenses a bit, and gear mostly towards Village residents rather than outside advertising. Director Golson responded that along with the newsletters, the

website, flyers to schools and the marquee sign, the new software program used by Leisure Services had a built-in email database program, which was being used to send blast emails about upcoming events. The night staff was kept busy trying to update the email database. Mayor Pro Tem Smith stated some organizations were putting a blurb in their newsletters that if the recipient would rather receive by email, please provide email address, and does the Village have this capability, for a savings on postage and printing. Director Golson stated that was a possibility, but there would have to be a dual system because people change email providers a lot and there are still a lot of residents who don't use email. This was an eventual goal. Mayor Davis asked what type of outside advertising was done. Manager Umberger responded mostly in the Palm Beach Post Neighborhood section; however the Village has a reputation about our events and word does get around. With regard to the newsletter, Manager Umberger stated he had spoken with Director Golson about email newsletters because over 60% of the special events line item was newsletter expenses. Other cities are going to either every other month or quarterly newsletters, and this was something to consider. Another issue that had previously been discussed was offering advertising in the newsletter to offset the costs. Mayor Davis stated that was a double edged sword, with pros and cons; but it would be a consensus of the Council whether this should be an option to look into. With regard to a quarterly newsletter, the whole reason for a newsletter was to get information to the residents in a timely manner and that needed to be factored into any decision. Director Golson added that expanding the view of Palm Springs can only lead to good things. Non-residents were vital to the many sports programs in the Village and it would hard to be unfriendly for holiday events and then take their money for sports programs.

b. General Obligation Debt Service Fund

1. Revenue

2. Expenditures

There were no questions or comments.

c. Utilities Enterprise Fund

1. Revenues

Vice Mayor Waller asked why there was no anticipated revenue this year for temporary service. Director Davis responded that there had been so many problems, particularly with apartments not paying bills on the temporary accounts, it was decided to eliminate them and the owners or tenants would need to open up a regular account.

2. Expenditures

There were no comments or questions.

3. Discussion on fiscal impacts of reduced state revenues on present and future budgets

Manager Umberger stated the budget presented was balanced; however it came at a cost of approximate a one mil tax increase to the Village overall. This related to

approximately \$700,000. The Village was lucky that it was a very desirable city for tax deed sales, so the budget numbers projected were pretty close. CFO Morse and myself had gone over every possible option and put a cost to it of what could be done now, and probably into the future. This was a one year budget to provide the same the same services at the same cost and with the same amount of employees, minus some vacant positions. In the present budget, positions already unfilled would not be filled. The department heads have reorganized to deal with the vacant positions. In Leisure Services, another employee has stepped forward to fill the responsibilities. In Public Service Maintenance, a possible agreement with the outside contractor who maintains the Village's common areas to take over the mowing and cleaning of foreclosed homes was under consideration. In Land Development, there were three positions on hold, but this was still under consideration. With the work load slowing down, but annexations still continuing, the reallocating of positions was being looked at, such as the need for a planner more than the need for an inspector. Director Lowe was a planner; however, the County was not that forthcoming in this area and this type of position required education, training, and understanding the community. Whatever the decision, it would be within the approved existing budget. The employees the Village presently has do an excellent job, they go above and beyond and the Village gets a fair days labor for a fair days pay. However, if the Council was considering lowering the millage further, Staff could look at some targeted layoffs, with the amount of savings being based on the position itself.

Another option a lot of cities were looking at was reducing the work week. Going to a 35 hour work week would save approximately 1 mil. Going to a 37 ½ hour work week would save approximately ½ mil. However, if the Council wanted to look at cutting services, that would have to include the Police, Public Services and Leisure Services. Chief Pickens had tried a sample reduction and it could work, but it did impact residents calls for service. Utilities would definitely be impacted. The recommendation was to maintain the 40 hour work week on the same schedule. Not going to four 10 hour days or any other type of schedule.

Another area looked at was furlough days for the employees, which would be one day per month of scheduled furlough for every month throughout the year. A one day furlough generates about \$35,000. There is a hard dollar savings; however, it sends a wrong message to the community that the Village probably didn't need that person anyway. Realistically, if one or two people were out of a department, the others would have to pick up that work load and their own work would suffer. This was not being recommended, even though the end result would be about a \$400,000 savings.

Employee benefits was another area looked into. This year the cost difference increase for the health benefits was passed on 100% to the employees. The Unions did not like this option, but agreed to it. Even so, the Village was still benevolent in the amount of contribution they paid towards these benefits. Other cities were passing on all costs of health coverage to their employees. This was not being recommended as an option

because a good percentage of the Village's employees were in the \$11-\$15 per hour range, and the insurance was an important option for their families. This would be recommended only if all other avenues were taken first.

Holiday funding was another area looked at by the Staff and other cities as well. This would not be reducing the number of holidays, but rather reduce the number of paid holidays. Years ago, factories up north would close for the weeks of Christmas, New Years or during July, but the workers were not paid. Each holiday would save approximately \$35,000 across the board. Basic services for water, sewer and police would have to continue, but if an employee worked on the holiday, it would just be a scheduled day.

Palm Springs has always been a leader in benefits, and the pension plans are as good, or better than most in the state. These plans were defined benefit plans, with good multipliers. However, with the downturn in the stock market, Manager Umberger had directed CFO Morse to actively investigate the Florida Retirement System (FRS). Presently, the Village's contribution to the general employees plan was around 21 – 22%, with the employees contributing 3%. The FRS employer contribution was 9%, with no contribution from the employees. This was an opportune time to look further into this, since the State was actively looking for cities to join. This was an elective option for the hazardous employees, in which they would have to vote in favor of going. The FRS would be offered to all new employees, with existing employees being given a one time opportunity to change plans. Those choosing to remain in the Village's plan would continue to receive benefits until the last person received the last check.

A current cost savings was the sanitation move to a private provider. There were some glitches in the beginning, but this has mostly been a good transition. Most residents, age withstanding, have adjusted to the roll out canisters to the curb. Republic Services is now a viable partner and is looking into possibly sponsoring some sports events. The negotiated rate freeze for six more years was an additional benefit to the residents as they see other cities getting much higher pricing for their garbage pick-up.

Giving up the Fire/Rescue service is not something anyone present is happy about but the Village simply could no longer afford to fund this service. Running the possible numbers to keep this service, it would cost the Village \$3.6 million to run the system in the current partnership with the County versus the County running it for a cost of \$3.1 million, offset by the revenues from transports. Revenues were estimated for the year to be approximately \$200,000. Again, this was the most opportune time to move forward with this transfer. Most residents have gotten used to seeing the red County trucks responding, so the transition should be fairly seamless. Through negotiations, the Village will retain the same employees at this station.

There are also conversations to be had about consolidation of other services; not for now, but planning for the future. No recommendations were being made now. It appears that probably ten to fifteen years down the road, Palm Beach County will be so urbanized that consolidation would be a viable option. Several areas, like Miami-Dade and Jacksonville, have already made this change. There will always be certain cities that feel they are autonomous and would hold out; however, the smaller cities from an economic standpoint would be forced to look at this option. The County Sheriff's Office already provides police service for about eight municipalities. It's about the quality of service, the amount of service and the familiarity with your community; but that option is available. The same could be said about the Library. The County Library has a very viable system. The Palm Springs Library also has a viable system, currently seeing about 10-12,000 patrons a month. The Library has expanded its services to be more of a community center than just a Library.

It would not be fair not to talk about these options, but as long as the Village was able to fund these entities, it would be in the best interests of the residents to retain them for now. Future Councils can see that all avenues were looked into, but not all were used.

The line item marked "appropriated fund balance" was not taken from reserves. There was no recommendation to take hard funds from reserves. This line item was money that department heads have consciously saved from the current budget for their departments. The Council approved using monies saved in this manner to balance last year's budget and it was being recommended to do the same thing this year. The Staff was now ready to answer any questions from the Council.

4. Council Comments

Mayor Davis commented that a budget was a one-time thing. You should do it for the fiscal year, but also looking forward to the future. Staff has done this now, and for every year that he had been Mayor. The Village was still a great place to call home, and the most important asset was its employees. The employees make it a great place to call home and they made it a place that has the best drinking water in Florida, and fourth in the Nation. The Council had gone into annexations because it knew that down the road there would be financial difficulties. If you weren't growing, you'd be dying on the vine. The Village was in its element because it planned for this consistently for the past twelve years. The Village had the ability to make cuts, but was not in a position where it was mandatory to make those cuts. The Village also had the option to move forward responsibly and show the residents and employees that we can continue to act responsibly. The Council and the Staff had done a good job. The Manager was asked to bring forward a balanced budget and not lay off any employees, and he and his staff have done that. Mayor Davis felt the one item brought up that the Council should direct Staff to look into more in depth was the pension plan. Pension costs were a killer for many municipalities. This would be a win/win for both the Village and the employees because the Village would have a reduction in its contribution and the employees would have an instant pay raise with the 3%

for general employees and 6% for public safety employees that they must now contribute. It would also stabilize expenses for future Councils. The savings would be seen in the future. With regard to outsourcing police and library systems, Mayor Davis stated that those services define what a community is and if you outsource too much, you lose your identity. There are some things municipalities are meant to do and some things they are not. Sanitation was one area where it made sense to outsource, particularly from a workers' comp and liability standpoint.

Vice Mayor Waller asked for clarification on the FRS. CFO Morse responded that all new employees would go into the FRS, and existing employees would have a one-time chance to move over to the FRS. CFO Morse stated there was some very attractive reasons for many employees to benefit by making the move, such as employees reaching or near the service cap in the Village plan, those employees who have previous service in the FRS, and those employees who have less than 5 years in the current plan, who would get a refund of their current contributions and start in the new plan with no contribution. Mayor Davis stated there was another benefit. The FRS has two plans, one a defined benefit plan and one a defined contribution plan, and all plans have a six year vesting.

Mayor Pro Tem Smith concurred with the Mayor's comments about not wanting to outsource services. No one on the Council wanted to outsource Fire/Rescue; but because the County Level of Service was imposed on the cities in such a way as to put cities out of business. There was a plan behind it. We live in Palm Springs because it has its own personality. We have a library that gives personal service, and we couldn't ask for a better police department. If these services were outsourced, we would lose those important personal services. With regard to the pension plan, Mayor Pro Tem Smith would agree to have this researched further and bring back a report to see if this is what would be best for the employees. Insurance is important for the employees, so whatever can be done to make it affordable for them and palatable for the Village should be done. Holidays are important to families and we should compensate for them. This would be the least likeable option. If it comes to that point, cutting hours would be a better option than laying employees off.

Manager Umberger responded that it would be difficult to lay off full time employees without looking at the part time and casual employees, such as the lobby greeters, concession stand workers, referees at sports games and pages at the Library. Most of these casual and part time employees were residents of the Village and they were a good source of assistance. Layoffs were only an item brought up for discussion.

Vice Mayor Waller concurred with Mayor Pro Tem Smith's comments about July 4th and the Library. The Village should retain the Library and Police as long as possible and try to have no layoffs. The Manager and Staff did an excellent job on the budget.

Council Member Brinkman stated she appreciated the Manager in being forthright in that we are raising the taxes on a net basis, assuming that the Village would be going forward with the MSTU. A great job was done on the budget. Council Member Brinkman agreed with looking into the pension plan option. With regard to outsourcing, this should not be something to consider now; and even in the future, the police would be one item the residents would notice the most. Future Council can monitor the transition to the MSTU and make those decisions. With regard to Land Development, Council Member Brinkman would encourage staff to look into funding a planner because this slow time would allow for a full review and update of our code, including the commercial overlay on Congress Avenue. If this budget was approved, it was an approval of a 1mil increase and none of the other options would need to be done now. Maybe further into the budget year, the situation could be re-accessed, if needed.

Council Member Gunther thanked all the Directors. This was the first budget process for him and the budget was very thorough, very easy to read and very clear on requests. The retirement option was something to be looked further into. Council Member Gunther commented that he was a member of the FRS. He wasn't sure how easy it would be to move long time employees over, but for the future it was a good option. It was nice to see the budget balanced.

Manager Umberger added that the last item was a recommendation for pay step raise for selected employees. There is a step plan in place based on performance, with an average of 2% over the year. This affects approximately 82% of the workforce, with 18% not eligible for consideration. There are quite a few employees at the entry level range and keeping the step plan would reward those that do an excellent job. The cost for salary and benefits was approximately \$270,000.

Council Member Brinkman asked if this was targeted for the lower scale employees. Manager Umberger responded he was in negotiations now with both unions. So far, the unions have only recommended non-monetary impacts on the contracts. The Village was only offering a one year contract because of the economy. The police union had asked for a continuation of the step plan and a COLA; however, they were informed that would probably not happen. Manager Umberger added that the step plan could not be targeted. It had to be for all employees that were eligible. Those that are at the top of the step would not be eligible. The step plan could be suspended and have only a targeted COLA, but this would cause grievances and mediation.

Vice Mayor Waller stated she had a hard time with this because it appeared that they would be penalizing those that did good, but recognizing those that tried to do better; and she was looking for the fairness in between. Manager Umberger responded that if the step was approved, there would be 151 employees to be funded for this year, and there would only be 27 employees who would not be eligible for the step increase. Manager Umberger agreed this was a tough decision because basically those entry level employees

or those with 5-6 years would get the step increase; however, those that supervise them, see the work gets done and get all the paperwork done, will not.

Mayor Pro Tem Smith stated she liked the idea of the performance evaluation and the step plan really helped the employees at the lower level that are making the least. Although \$250,000 was a lot of money, it wasn't really when compared to a \$25 million budget. Mayor Pro Tem Smith stated she would be in support of the performance step plan to keep good employees, but she would not be in support of a cost of living increase.

Mayor Davis stated the Village was not in the position of a lot of other cities; the Council planned for this and it wasn't necessary to act like other cities and lay people off or cut services. Mayor Davis stated he had the history of the millage rates in the Village for the past 17 years, and for at least 11-12 of those years, the millage had gone down. We were not here to wave the red flag. The Council was telling it like it was and showing exactly where the Village stood. As it relates to the step plan item, there would be 27 employees that were topped out, but at least the Village was not attempting to buy them out and get rid of them. These are tough times; and although he didn't like it, it was what worked for this year.

Mayor Davis asked for a consensus for moving forward with the MSTU. Mayor Pro Tem Smith commented that she didn't feel the Village had any other choice. Mayor Davis responded if we had "Can We Vote" on a referendum several years ago, we wouldn't even be having this discussion today; and for the record, the Village provided better service in our department than we are going to get from the County, in particular on response time. Hopefully, we will still be able to provide some of this because there was going to be some training between the police and fire/rescue and the Village would still have police as first responders. We got bamboozled, and so did every other entity in this County. The long and short of it was that it was a union call. Because of the way it was structured, they were allowed to do it, it was reality and the Village had to deal with it. The consensus of Council was to move forward with the MSTU.

Mayor Davis commented that the Staff had done an excellent job this year. This had been a difficult year for Staff, for the Council and for the employees; but the Council had always exhibited common sense when it came to items like this, and hopefully we would continue to do so on a daily basis as we move forward. The Village could pull funds from reserves; but that would not be a good plan because those hard reserves were there not just for a rainy day, but for major catastrophes and sudden emergencies. This is a large bump in the road, not a catastrophe. Mayor Davis said he gave kudos to Staff, and the Manager in particular, for the job they were doing. The Council may have to look at the other options brought up today down the road, but not today.

Vice Mayor Waller stated she had given it a lot of thought and she would support the budget as presented with the step for performance raises. The top level staff were strong

and when things got better down the road, they would get their rewards.

There was a consensus of the Council that the Village move forward with the budget as presented. Hearing no further comments, Mayor Davis adjourned the meeting at 10:00 a.m.

Respectfully submitted,

Village Clerk

Approved by Council _____

Mayor