

**VILLAGE OF PALM SPRINGS
VILLAGE COUNCIL MINUTES
WORKSHOP MEETING OF JULY 21, 2007**

Mayor John M. "Mike" Davis called the budget workshop meeting of the Village Council to order at 9:00 a.m.

Present: Mayor John M. Davis, Vice Mayor Bev Smith, Mayor Pro Tem Joni Brinkman, Council Member Chet Osborne, Council Member Patti Waller, Village Manager Karl E. Umberger, Village Attorney Karen E. Roselli, and Village Clerk Virginia M. Walton.

Staff present were: Land Development Director Bette Lowe, Finance Director Rebecca Morse, Public Safety Director Jay Pickens, Public Service Director Bill Davis, Leisure Services Director Bill Golson, Library Director Elena Romeo, Accountant Mariana Ortega-Sanchez and Deputy Clerk Jane Worth.

Mayor John M. Davis led the Pledge of Allegiance.

ORDER OF BUSINESS

1. Opening Remarks by Village Manager

Manager Umberger stated this was a trying year developing the budget. Before the legislature changed the taxing system, the Village had proposed approximately 2.5 million in budget increases. Once the legislation passed, the proposed increases were cut by approximately 1 million. Most of this was in the capital projects area. After the Governor's Tax Reduction Plan was announced, another 1.04 million was cut. At this point, it was necessary to take a hard look at the proposed projects and cut back those projects that did not severely impact the quality of life in the Village. In accordance with the State mandate, the millage rate would go from 4.77 to 4.00, a 17.2% minus funding. This budget had been accomplished without dipping into the reserve funds and with no tax increase. The contingency funds would be a little lower than prior years, but still adequate to meet emergency needs. It was felt that the Village could continue to serve the residents at the level the Council expected. In April, there would be an internal review of the budget; and, if necessary, further cut backs would be made to maintain the spending limits as budgeted.

In spite of these legislative changes, the past year had been a good one for the Village. The quality of life has remained high and made the Village attractive for new residents and businesses. The Village was the only municipality in Palm Beach County to pass the Solicitation ordinance that dealt with the panhandlers on street corners. The Village was one of only a few municipalities to deal with the multiple occupancy problem with an ordinance and increased code enforcement. The new parking ordinance passed is one of the strongest in the County and the enforcement has improved the quality of our streets. The annexation has continued through the commercial corridors. In the past ten years, the taxable value has increased from 167 million to approximately 950 million. The Village is still one of the most affordable communities in the County and the developers are channeled towards keeping this in mind when they build. Redevelopment on the corridors

has been very positive. The rebirth of Lake Worth Road, and also Congress Avenue has brought up property values and has some major retailers looking at sites on these roads. There have been inroads in the partnerships with Palm Beach County entities and will continue to progress.

Manager Umberger added there are some challenges to address. Old lifestyles are changing and our community is becoming more diverse. The new families of the Village are expanded with children living at home and parents living with children. The actual population of the Village is probably closer to 18,000, than the reported 15,000. Also if the super exemption is approved in January, there would be some hard decisions that the Council would have to make. The housing stock would be greatly impacted.

Mayor Davis stated that if any department director felt strongly about a particular project that had been cut and it should be re-instated, that director would have their chance to plead their case, but it better be a good one.

2. Proposed 2007/2008 Fiscal Year Budget

a. General Fund (by Department)

1. Revenues

Director Morse stated revenues, although good, were not as much as anticipated. The annexation revenues were not what had been expected, the half cent sales tax revenues had actually dropped \$40,000. Director Morse stated these decreases might be attributed to projections on the economy being down and as new cities are incorporated, the monies from the state become a smaller portion of the pie.

Manager Umberger explained the anticipated transport fees revenue. The fees were based on the current ALS transports for six months, which were approximately \$450 per run. Because of the partnership, we would match Palm Beach County fees and miles. It appeared the Village would do most of the transports for Lake Clarke Shores. Mayor Davis asked who would be collecting the fees. Manager Umberger stated there were two possibilities being reviewed. Either Palm Beach County's company in Miami, or a private company that West Palm Beach used. It was anticipated there would be a 75-80% collection rate. Vice Mayor Smith asked if there was a ballpark on the net. Director Morse stated this figure was the net. Vice Mayor Smith asked Chief Pickens if staff was sufficient for this transport service. Chief Pickens stated the County staffing requirements would be one engine and one transport, so when they were out, they were out. Manager Umberger added that Public Safety did have three positions requested in the budget, but were unfunded. These positions would be covered for now by overtime. There are some concerns on meeting the constraints of the level of service being voiced by municipalities. There was an option in the agreement that allowed for release from the agreement because of money restraints. The Village would make every attempt to honor the agreement, but would not put the residents at risk to do so. The transport would begin in October and the revenues generated would be looked at within the first few months.

Mayor Davis stated it was what it was. You deal with it and you move on. This is a budget. You make an educated guess and you adjust as you see if your guess was right or not.

Council Member Osborne wanted to know how the number for garbage pick up had been arrived at. Director Morse stated the actual billings were tracked and reported. The budget took into account 2,401 single family, 3,470 multi-family and 207 mobile homes. The revenue noted did not include expenses. Council Member Osborne also asked why class registration was down. Director Morse replied this was due to changes in the IRS requirements. Previously, the Village paid teachers as independent contractors. We collected the registrations and then paid them. The IRS now states they are not contractors, but people renting the facility. Therefore, class registration is down, but facility rentals are up.

2. Expenditures

Under Council category, Vice Mayor Smith questioned why professional services were so high last year, but much lower this year. Manager Umberger explained that previously the Clerk had based the boundaries on the best information available; however, last year's large expense was for re-districting expenses incurred by Eckler Engineering to re-survey the Village legal boundaries. Under Executive category salaries, due to security reasons new casual employees were hired to man the information desk in the lobby. Under Finance salary increase, Mariana had earned her accounting degree and was in training to fill in for Director Morse. Director Morse stated she was a valuable asset to her office. Under general government, Director Morse explained the cost of an additional server was needed because the existing servers were approximately four years old, with only a three year warranty. As more departments and personnel are added, the needs increase. We are presently at approximately 67-70 clients and Public Safety is being added this coming year.

Under the Fire Rescue category, the personnel meets the level of service as required by the County, but it would take overtime to be fully staffed. Union negotiations are presently ongoing on some comp time issues. Comp time actually hurts the employer. Some federal regulations have changed that are in favor of the employee, not the employer and the Village was dealing with that now. Council Member Osborne questions the line item on hazardous pension expense. Director Morse replied the Actuary based the figures on covered payroll and was presently at approximately 28%. Under Public Safety category, Manager Umberger stated the Council had previously approved the reorganization of Fire Rescue and separation from Public Safety. Manager Umberger stated about mid-year he had put a stop to the reorganization because of so many unknowns with the legislative changes and tax reform issues and how these might cause budget restraints. The cost of this reorganization was approximately \$75,000 to \$80,000. This would be addressed or amended in the future. Vice Mayor Smith asked if the education item was set or as needed. Chief Pickens replied it was both. There were a number of employees who were attending college and this also included all training, including career development courses, such as detectives, dispatchers, etc. Council

Member Osborne questioned how the police vehicles were purchased. Director Pickens replied in the past the vehicles had been purchased from the State; however, the past two years they had been purchased from a dealership in Georgia, who delivered the vehicles at a lower price and with all equipment already installed, including graphics. Mayor Davis commented that if the Fire Rescue and Police departments were looked at together, they would account for 55% of the entire budget.

On the Roads and Streets category, Director Morse stated this was where the most extensive cuts were made in capital improvement expenses in roads, sidewalks and drainage projects. Presently all streets in the southeast section from Davis Road to the Village complex were being crack-sealed and overlaid, which should complete all the Village streets. This was originally planned for next year, but it was decided to use funds this year to complete this project. Sidewalks are something that not all homeowners want and we needed 100% before the sidewalks could be installed. Lighting was still being worked on, but they were not high on the FP&L list of priorities.

On the Leisure Services category, Vice Mayor Smith questioned the increase in salaries. Manager Umberger replied the minimum wage was increased, which increased the salaries for casual employees, such as summer camp counselors. Director Golson also added that their summer camp program had found paying a little more for returning counselors from previous years was a better option than training all new counselors. Also, the IRS mandated that our bus drivers could not be considered independent contractors, and had to be considered casual employees. Under field repairs, the chemical spraying had now been outsourced to professionals.

Public Service Director Davis commented that he would like to see the water park issue addressed. The park was using 500,000 – 700,000 gallons per month and some program to reclaim the water would be necessary in the near future. Mayor Davis replied if he wanted to bring forward a problem, then he was supposed to also bring forward a solution. Manager Umberger added that the park is used by small children and we all know they are drinking the water. If we used reclaimed water, we would need to test the water twice a day; and if the water was not up to levels, we would have to continuously close the park. It would be better to just lower the hours of the park and keep the clean water. We could use a filtration system and get credit for that water. Director Davis also stated we could possibly install a small lift station and pump the water back to the plant for treatment.

Back to Leisure Services, Vice Mayor Smith asked if the revenues for the concession stand were realistic. Director Golson stated that the new concession stand was able to accommodate better traffic than the old one and felt the budget was very attainable.

Under Special Events, Vice Mayor Smith commented that special events should be for Village residents and maybe we should look at what we are spending with that in mind. Director Golson replied that the type of activities we run were very popular, such as

Halloween and Easter; and residents bring their friends for that reason. Also, the sports programs would not be as active and sponsored if they were not open to everyone. Vice Mayor Smith responded that if budget restraints continue, we will have to address this category again. Director Golson stated his department was discussing the possibility of widening the fees between resident and non-residents to offset the costs better. Mayor Davis stated the Village was seen as a friendly Village and we needed to remain so to encourage new residents to the Village. Mayor Davis felt the staff was professional enough to come forward with cuts if they were really needed.

Under debt service, Manager Umberger commented that the only debt was the master plan, and that debt by next year should be down almost to one half million.

b. Utilities Enterprise Fund
1. Revenues

Manager Umberger stated the rate study was in the works now and should have a presentation late this Fall. Since there had already been a rate increase last year; and if one was warranted as a result of the study, it would be better not to have two rate increases so close together. Something being looked at was spreading the cost across the board for the readiness to serve costs. Right now, certain residents get no charge if they leave for months and cut off their water, while others do. Also, there are 21 to 2500 delinquents every month and approximately 450 to 500 shut offs per month. This takes personnel time and associated costs. Mayor Davis stated one of the best things the Village ever did was going to block rates to encourage conservation of water.

2. Expenditures

Vice Mayor Smith asked if casual employees, rather than full time, had been considered. It seemed there were certain times that the office was busier than others. Director Morse replied that the utilities department went from extreme chaos to just chaos, and what is expected out of those ladies was a lot. Director Davis stated the training required and the stress they absorb is something that a casual employee would not accept.

Director Morse stated she would not be comfortable having casual employees handling the amount of money that passes through that office. Chief Pickens stated that during turn off time a police officer had to be assigned to keep order. Manager Umberger stated they were looking at ways to streamline certain functions of the utilities office.

On the subject of overtime, when sewer problems arise they usually do in the evenings when people are home and usage is higher. These require more than one employee responding. Also, on the weekend there is a drive-by program for all the lift stations and that was done on overtime. That line item was budgeted for contingencies based on the past actual costs. Mayor Pro Tem Brinkman commented that the phone number on the lift stations had not been working during the last storm and asked if it was the correct phone number. Director Davis stated the phones lines had been down and no phones were working, but generators had been purchased and this should not be a

problem anymore. There is also an emergency phone number on the water bills, which is a cell phone that the operators carry with them.

3. Discussion on Fiscal Impacts of Tax Reform on 2008/2009 Budget

Manager Umberger stated that in Palm Springs we watch the pennies on a regular basis, but it was hard to plan for something when you don't know what's going to happen. Whatever happens in January, at least there would be 8-9 months to study it and make plans for the next fiscal year. The vote is January 29th, but would be effective as of January 1st. If the super exemption passes, that pretty much eliminated taxable revenue for about 40% of our residents. We need to look to the future and prepare for it.

County Fire Rescue had been fairly successful in lobbying in Tallahassee in getting their reduction down to 3%, while ours is still at 9%. They are presently not going to close any of the stations around us. However, the demographics are changing and there are many uninsured people now and we need to address this. It may be time to investigate a transition to the County MSTU while we are still in a favorable position. Our costs of doing business will only increase over the next few years. We did go out for bid for an expansion to the Public Safety building, but the County has reneged on their paying for it. They want us to pay for it and they would lease the building back from us, but there was no guarantee on that. The major concern of the Council, prior to signing the joint agreement with County Fire Rescue, had been losing control. However, once the Village goes to the County dispatch system, we will pretty much already have lost control. With three County stations surrounding us, once we are out on a call, if we are closer at that time to Lantana then we will have to respond. Chief Pickens stated that the dynamics of the partnership is going to bring a big change to the way things have been and we need to realize that. Council Member Waller commented that if we can't be in control, then we should let them have it. Mayor Pro Tem Brinkman agreed and asked if we knew what the mills would be with the MSTU. Maybe we needed to negotiate now and look at the actual cost of the service to the Village. Manager Umberger commented that there were many areas to look into and it could possibly be to the benefit of the Village. Other cities are fighting the County, but the costs to the cities to do so are becoming more expensive. Council Member Osborne asked if Fire Rescue might drag their feet until January to see what would happen. Manager Umberger stated there were two things: the level of service meeting in August to see if the County Commission lowers the personnel levels and the County wants Palm Springs because we are pretty much the ones who started this. Mayor Davis stated that he hasn't been happy with this situation since it first started, but he agreed that sooner or later we would have to become part of the County because you reach a point where you can't justify the budget to the residents. Mayor Davis stated he hated to say so, but it was reality. There was consensus of comments from the entire Council for the Manager and Chief Pickens to look into the MSTU options. Manager Umberger added that if we don't go with the County, then to meet the level of service the Village would need a new rescue truck and a new engine, which would cost about \$500 - \$600,000 for both. These were not in the operating budget this year. There would be another workshop for the Council on the progress.

Manager Umberger stated Sanitation costs were another issue to be addressed. The Village was presently spending about \$650,000 to subsidize side door pick up in the Village. A survey showed that only about 50% of the residents were using this option. We are charging \$12.00 for this and the actual cost was \$26.40 per house. Council Member Osborne stated he agreed that it was time to look at this. Council Member Waller stated that as a condominium owner, she would be glad to have a more fair cost citywide. Manager Umberger stated he was meeting with four contractors now to obtain costs. We were looking at piggybacking other existing contracts, which would be very favorable for the Village. The costs would most likely be about \$10.00 for container curb pick up for the same twice a week schedule and we could possibly be ready by October, or the first of the year. Now is the time to educate the people on the transition and the cost savings. Mayor Davis commented that the Village had held off as long as possible, but it appeared to be time to address this issue. Manager Umberger stated that if we had to cut something this year to be in a better position to deal with what may happen next year, this was a good place to start.

Another issue to be looked at was the area of pensions. Right now about 26% of payroll for the hazardous and 20% for the general plan. Many other cities and the State have changed to the 401 plan. Those that are in the pension plan would be given the option of staying or opting out, and all new employees would go into the new 401 model. The Village would have a defined contribution, possibly 4 – 6% and the plan would have portability. There was consensus of comments from the entire Council for the Manager and the Finance Director to look into the 401 plan options. This might not take place in the near future, but the Village needed to be prepared. Director Morse stated normal cost was based on funding that employee, not like Social Security where people paying in now fund future people. Vice Mayor Smith was concerned about a huge shortfall in the old pension plan. Director Morse stated the assets would move, but so does the liability.

The next issue was Leisure Services program costs. The programs were studied and the overall actual cost was \$395 per sport. T-ball was the only sport that was lower. A second look at the program indicated a \$5.00 increase to residents and a \$10.00 increase for non-residents would bring the revenue closer to the actual direct costs. Director Golson commented that baseball was the most expensive sport, so the Village could raise that fee more than the other sports. Mayor Pro Tem Brinkman asked if team photos were included in the fee. Director Golson replied they were. The average was about \$2100 per sport for photos. The photographer had indicated it would be better if he dealt directly with the parents and not include the fee in registrations. Even with the increases, the Village offered one of the best programs in the area, including summer camp and sports teams.

The next issue to address is the health insurance. Because of the labor unions, the increase in costs could not be passed on to the employees, except for the dependent costs. The employee was now funding about 22 – 26% for dependent costs. Most cities were

having the employee fund about 30 – 35%. When the health insurance was up for renewal in April 2008, they would be looking at possible bringing our dependent costs closer to the 30%. Of course, some of the entry level employees might be unable to absorb the additional cost since they were mostly minimum wage and were already paying dependent premiums. We were presently over one million in insurance costs. We were also looking at self-insuring; and also looking at insurance costs for property, liability, vehicles and workers comp, although the Village was pleased with the carrier we presently had.

Another issue that has just come to the attention of the Village was the election process. The State was going to optically scanned paper ballots, which were labor intensive and will slow down the election process. The Village would bear the additional costs. The Village presently budgeted \$12,000 for elections, but it appears that the costs could possibly increase to over \$22,000. Also, every year there was the possibility of an election because of the council terms. If a charter amendment was to be considered, it was suggested that the elections be moved to November to piggyback the County elections and save some costs there, and to possibly extend the council terms to either three or four years, thereby giving the Village some off years with no elections costs. Council Member Osborne was in favor of four years; Council Member Waller was in favor of four years; Vice Mayor Smith liked four years, but thought three was more reasonable; and Mayor Pro Tem Brinkman was in agreement with Vice Mayor Smith. Mayor Davis stated he had no problem with either change, but he felt that most residents perception of all elected officials was that they were crooks and it was better to change them often. Whether the perception was correct didn't count because to them perception is reality. Manager Umberger stated he and the Clerk would look into the costs and bring back suggestions at another workshop. Council Member Osborne commented that it might be time to have a look at the whole charter.

One last item to bring back again was the Public Safety Reorganization. Because the Manager and the Chief would be looking into the County MSTU issue and the costs associated in the next five years, Chief Pickens was looking into alternatives that might be more cost efficient and more operationally minded.

That was the budget. It was balanced and able to continue with the Village's level service to its residents.

4. Council Comments

Council Member Waller and Council Member Osborne both commented that the Manager and Staff did an excellent job on the budget.

Vice Mayor Smith also stated it was a good job. She had some concerns on transport fees. Vice Mayor Smith commented that we were in a situation where things would be getting worse, not better and it was important that each department start looking at what they are spending funds on, start tracking who benefits from these expenditures and look at each department from a business standpoint. We need to plan for the worst,

but hope for the best.

Mayor Davis felt that the Village had been looking at budgeting the way Vice Mayor Smith suggested for some years now and that's why the Village always had a balanced budget. Mayor Davis stated they had a professional staff and that's what makes the Council's job so much easier; however, the future budget meetings were definitely going to get much worse.

ADJOURNMENT

Hearing no further comments, Mayor Davis adjourned the meeting at 11:50 a.m.

Respectfully submitted,

Village Clerk

Approved by Council_____

Mayor