

BAL HARBOUR VILLAGE BUDGET COMMITTEE
REGULAR MEETING MINUTES – JUNE 26, 2013

A Regular Meeting of the Bal Harbour Village Budget Committee was held on Wednesday, June 26, 2013, in the Council Chamber at Bal Harbour Village Hall (655 – 96th Street, Bal Harbour, Florida).

The meeting was called to order at 6:06 p.m. by Councilman Packer.

1. CALL TO ORDER/ROLL CALL: The following members were present:

Councilman Martin Packer
Dina V. Cellini
Seth E. Salver
Raj Singh

Absent: Michael M. Krop

Others Present: Councilwoman Patricia Cohen
Jay Smith, Interim Village Manager
Ellisa L. Horvath, MMC, Village Clerk

As a quorum was determined to be present, the meeting commenced.

2. PLEDGE OF ALLEGIANCE: The pledge was led by Village resident Brian Mulheren.

3. APPROVAL OF MINUTES: *A motion was offered by Mr. Salver and seconded by Ms. Cellini to approve the June 17, 2013 Regular Meeting Minutes. The motion carried (4-0).*

4. DISCUSSION OF PRELIMINARY BUDGET FOR THE LEGISLATIVE ACCOUNT: The Committee commenced discussion on the Legislative budget.

Mr. Wallace reported a tentative health insurance increase of 26%, with the current carrier. Mr. Smith anticipated a more accurate figure from the carrier tomorrow. Mr. Wallace reported that three members of the Council participated in the insurance program. He noted that no prior Council members were taking advantage of the Medicare Supplement coverage.

Councilwoman Cohen questioned why the health insurance amount was decreased. Mr. Wallace explained that amount was based on an estimate.

Neil Alter - 9801 Collins Avenue, questioned if bids were being received for health insurance. Mr. Smith reported that the item would be discussed at the July 2nd Council meeting.

Councilwoman Cohen voiced concern with changing to another insurance company with Bal Harbour Village Budget Committee Regular Meeting Minutes 06/26/2013

lower rates that may increase its rates in the future. She explained the difficulty for staff to change plans and doctors.

Councilman Packer spoke in favor of negotiating with the current company, for the best rates.

Councilwoman Cohen noted that the Council received the HMO insurance, but had to pay the difference for the PPO insurance.

Mr. Wallace confirmed that the Village offered a Medicare supplement plan.

Mr. Smith distributed the expenditures to date, for the current and prior years.

Mr. Wallace reviewed the Litigation line item, which was an estimate, and was separate from legal fees. He clarified that it was for any law firm part of litigation, not specified for Council only. He added that all of Mr. Gelber's fees were paid from that account and that it was the only budget that had a litigation line item. Mr. Singh suggested that the Litigation line item be decreased, based on the past two years. Mr. Wallace thought that the Council had requested that amount be in the line item, so it would be up to them to change it. Mr. Singh pointed out that there was over \$200,000.00 that was not spent in the line item. Mr. Wallace reported that any unspent funds would go into unappropriated funds (budget) if it wasn't used. He clarified that it could be decreased, but it would take the risk if the litigation went over. He added that it would take two months to appropriate money.

Councilwoman Cohen questioned where the money was that wasn't spent. Mr. Wallace explained the reserves, which money could be appropriated from, after a two month period. Mr. Smith explained a budget transfer Ordinance, which required two readings (two months). He spoke in favor of having the extra money in Litigation line item. Mr. Wallace explained that the Council couldn't spend money that it hadn't appropriated or had. He explained additional restrictions on moving money between departments.

Ms. Cellini discussed the Police Forfeiture fund being absorbed in the General fund, which an Ordinance hadn't been adopted for yet. Mr. Wallace explained that the budget would have to be amended, or the expenses would have to be cut.

Ms. Cellini questioned why the Council wasn't advised of the amount in the Litigation line item, so they could put a cap on Mr. Gelber's legal fees. Mr. Wallace noted that the amount in the line item was monitored and would be brought to their attention, if it was at risk. He spoke in favor of having a cap on legal fees, which would be up to the Council. Ms. Cellini thought that the Council should be made aware of that.

Neil Alter – 9801 Collins Avenue, reported that, according to Village Attorney Richard Weiss, Mr. Gelber had received approximately \$48,000.00 so far. Mr. Wallace will see if some of the invoices for Mr. Gelber were posted to the wrong account. Mr. Smith reported that he had been coding Mr. Gelber's invoice to Police, not Litigation, so he would correct that.

Brian Mulheren - 10245 Collins Avenue, suggested that the number of Police vehicles be decreased and the Police motorcycles be deleted.

Councilman Packer suggested one line item of Legal fees, including litigation, showing the breakdown. Mr. Smith discussed the percentage formula for legal fees that was shared amongst the departments. Mr. Smith and Mr. Wallace explained the agreement with Weiss Serota for legal services. Mr. Wallace estimated an annual fee of \$400,000.00 to \$500,000.00, by the end of the year for Weiss Serota and other legal firms.

Councilwoman Cohen noted that the Village was over budget for legal fees, in the current budget. She spoke in favor of it being reviewed in an easier format.

Mr. Wallace will show legal fees, in one line item, with a breakdown. He discussed the apportionment, based on percentage, not specific to each department. He suggested that Weiss Serota may be able to bill based on the Village's department. Mr. Salver suggested that the entire legal budget be in one department. Mr. Smith discussed the use of resort tax and water/sewer funds for legal fees. Ms. Cellini thought that Weiss Serota would bill however the Village wanted them to. Mr. Singh questioned how more money could be spent for legal fees, since it was over budget. Mr. Wallace explained that the line item was over budget, but other line items were under budget. Mr. Singh discussed the importance of each line item being more accurate. Mr. Wallace discussed the need to be able to adjust to unforeseen needs of the community, etc. Mr. Singh suggested budgeting more (\$275,000.00) for Legal Fees and decreasing Litigation. Mr. Smith will discuss combining the line items with Mr. Wallace.

It was the consensus of the Committee for a page showing the litigation expenses and legal fees to be provided.

Neil Alter – 9801 Collins Avenue, discussed litigation/legal fees for the Gated Area. Mr. Wallace reported that fund paid for its own legal expenses.

Councilwoman Cohen noted that the legal fees for the Gated Area were \$15,000.00, which she thought should be reviewed. Mr. Smith explained that the issues with the most legal fees for that area were handled two years ago.

Councilman Packer clarified that all the legal fees incurred by the RAC were paid for by the Gated Area. Mr. Wallace agreed.

Mr. Smith reviewed Engineering and Architecture, which was used as a contingency for any architectural work for the Police Department, Village Hall, etc.

Mr. Wallace reviewed Professional Services, which covered court reporters, photos, studies, etc. Mr. Smith discussed the possibility of an upcoming redistricting study.

Mr. Smith reviewed Postage for a newsletter, based on four mailings. Ms. Cellini suggested that the newsletter go out with the water bill, in a larger envelope. Mr. Wallace spoke against doing so. Mr. Smith pointed out that the residents in the buildings did not receive water bills from the Village.

Councilman Packer discussed providing a Contingency amount, with a footnote showing what it would be for.

Mr. Smith explained that he wanted to provide money for a new Village Manager to have some leeway for items.

Mr. Smith reviewed Maintenance of Equipment, which was for sound equipment etc. in the Council Chamber and the possible enhancement of the current system.

Mr. Smith reviewed Printing/Binding, which included the Village newsletters. Ms. Cellini suggested that the Council be advised of the cost of the newsletter, so they could determine the frequency.

Neil Alter – 9801 Collins Avenue, suggested that the resort tax money that was spent for the Unscripted Art Program mailing should have been spent for beach renourishment instead.

Mr. Salver discussed the credit cards. Mr. Singh questioned who audited the credit cards. Mr. Wallace explained the process for employees to code the SunTrust purchasing cards. He explained that the cards were used for convenience, a 5% incentive rebate, and the ability to delete trade accounts. Mr. Singh thought that the cards were susceptible to fraud and the rebate was not worth the exposure to fraudulent charges. Mr. Wallace discussed the need for the cards. He reported that the auditors reviewed the cards annually. Councilman Packer spoke in favor of the cards being reviewed quarterly. Mr. Wallace pointed out that the internal control were Management's responsibility. He was comfortable with the controls the Village had in place. Mr. Smith agreed that the decision to provide the employees with cards was a management decision. Mr. Wallace noted that the cards had a low limit. Mr. Singh suggested that Marcum be asked what their methodology was in checking the cards. Mr. Wallace discussed Marcum's process. Ms. Cellini questioned who was reviewing business lunches, etc. She requested the names of those employees with credit cards.

Mr. Wallace estimated that \$400,000.00 to \$600,000.00 annually was charged to the credit cards. Mr. Salver thought that the Council could request the auditors to do more work on the credit cards. Mr. Smith noted that a quarterly inspection could be added, since the Marcum contract was up this year. Councilman Packer spoke in favor of an ongoing report for the Council. Mr. Wallace noted that he could provide a full budget report and summary monthly or quarterly. Mr. Smith questioned if a quarterly audit would make the annual one easier. Mr. Salver didn't know, since the books would have to be closed quarterly. Mr. Wallace spoke against a quarterly audit.

Mr. Salver suggested a full time internal auditor that would report to the Council.

Mr. Singh suggested that the internal auditor also respond to public records requests.

Mr. Salver pointed out that the person should be under the Legislative budget and not report to the Manager, which would also reduce the audit fees.

Mr. Wallace reviewed Management Expenses. Mr. Singh spoke against it being used as a slush fund.

Councilwoman Cohen thought that the line item was high and requested a breakdown of the items. She noted that Engineering and Architecture already have \$10,000.00 for improved technology. Mr. Smith clarified that was under Maintenance of Equipment, not Engineering and Architecture.

Councilwoman Cohen spoke in favor of reviewing the administrative fee paid by the Gated Area, for Mr. Wallace's work. She also spoke in favor of reviewing the credit card expenses and for the credit card directives to be set by the Council.

Mr. Singh agreed and also thought that an auditor could review the cards.

Mr. Salver suggested an agenda item, for discussion on the internal controls for credit card purchases.

Brian Mulheren – 10245 Collins Avenue, spoke in favor of an internal auditor that reported to the Council.

5. DISCUSSION OF PRELIMINARY BUDGET FOR THE EXECUTIVE ACCOUNT: The Committee commenced discussion on the Executive budget.

Mr. Smith reviewed salaries and explained that he budgeted \$180,000.00 for the new Village Manager, per the job description. He discussed the challenge in preparing the budget for a future Manager.

Ms. Cellini spoke against a full time Records Liaison and suggested that a part time person be used.

Ms. Cellini questioned the Overtime line item. Mr. Smith reported that the Executive Assistant and Receptionist received overtime for meetings, etc.

Ms. Cellini discussed the money for former Manager Treppeda's pension. Mr. Wallace estimated that the Village would pay approximately \$60,000.00 annually, until Mr. Treppeda's death. He explained the excess benefit plan, which Mr. Treppeda was the sole member of. He explained that it was budget neutral.

Mr. Singh discussed salaries. Mr. Smith discussed the current salaries, the addition of a Records Liaison, and any anticipated raises.

Mr. Singh discussed the problem with the total budget and questioned why items weren't decreased, but were increased.

Mrs. Horvath explained the increase for Election and Legal Ads line items. Ms. Cellini was fine with those increases, but felt that the Village was always estimating up.

Mr. Singh spoke in favor of decreasing Professional Services. Mr. Smith wasn't sure how much the new Manager would need.

Neil Alter – 9801 Collins Avenue, questioned the necessity to create carte blanche for a new Manager. Councilman Packer noted that the new Manager would need to have some tools to work with. Mr. Alter spoke against increasing expenses.

Mr. Singh thought that a new Manager could request money from the Council, which could be appropriated from the General fund, if necessary.

Mr. Singh reviewed Professional Services and Rental/Leases. Mr. Smith explained that Rental/Leases included vehicles for the Village Manager and Village Clerk, as well as offsite storage.

Mrs. Horvath discussed the need for the Records Liaison to provide assistance with reviewing/scanning the documents offsite. The Committee suggested that proposals be received for a company to review/scan the documents in storage.

Mr. Smith reviewed Travel and Per Diem and Educational Expenses, which were included in the Manager and Clerk contracts. Ms. Cellini discussed the new Manager paying his own way to conferences, etc. if the \$180,000.00 salary was offered.

Mr. Wallace reported that the Manager and Clerk paid taxes on the car/fuel, which was shown on the W2, as wages for their personal use.

Councilwoman Cohen questioned the rationale behind a vehicle for the Manager and Clerk in their contracts. Councilman Packer explained that was considered a perk.

Mr. Singh recommended that the upcoming budget be a zero budget and not be based on the integrity of the old numbers. He suggested that the Village Manager get some help from a company, to prepare the budget for FY 2014, with a zero based budget.

Mr. Salver distributed a form that he suggested be used for future budgets, using an action plan.

Councilman Packer discussed the need for oversight. He thought that the Finance Department should be in charge of each department adhering to a specific format.

Councilman Packer noted that the Police Department would be reviewed again at the next meeting. Mr. Smith noted that the Park, Public Works, and General Government still needed to be reviewed. He will get a proposal for a company to assist with the budget, for the Council's consideration.

Brian Mulheren – 10245 Collins Avenue, spoke in favor of hiring a company immediately. Councilman Packer noted that the Committee could not hire anyone.

Councilwoman Cohen discussed the amateur budget format that the Village had. She noted that Mr. Weiss had recommended that the Village hire an outside consultant, to help with the budget and to provide more detailing.

Mr. Singh discussed zero based budgeting and spoke in favor of hiring an outside company, instead of adding 5% to the existing budget for everything.

Isaac Salver, 10155 Collins Avenue, questioned if the Committee had full confidence in Marcum. Councilman Packer noted that he did not. Isaac Salver agreed that an outside company should be hired to come in, review the departments, and to bring the Village to a zero based budget. He disagreed with an internal auditor, since he thought that the Village was too small for that. He also spoke in favor of an outside company for records management, to digitize, etc. Isaac Salver spoke in favor of quarterly, instead of annual audits.

Mr. (Seth) Salver noted that there were limits to what an external auditor could do.

Mr. Smith will provide a proposal for the Council on July 2nd.

Mr. Singh questioned the time frame for an auditing firm to present a budget.

Isaac Salver – 10155 Collins Avenue, estimated that it would normally take two months, but the Village might be able to get it done. He estimated the cost to be \$15,000.00.

Mr. Singh spoke in favor spending the money.

Mr. (Seth) Salver questioned the level of expenditure reporting the Committee would like to see. Mr. Smith requested input on the form to be used. Mr. Singh thought that an outside company would have their own template.

Councilwoman Cohen requested Isaac Salver to provide Mr. Smith with some names to solicit for resumes.

Mr. Wallace offered to provide the GFOA (Government Finance Officers Association) budget guideline that most cities followed, which he spoke in favor of using, in lieu of the current format. He discussed the need to provide the proposed millage rate on August 1st. He spoke against using the Village's external auditor. He felt that the Committee was capable of reviewing the numbers and changing the budget document. Mr. Singh spoke in favor of hiring an outside company.

Isaac Salver – 10155 Collins Avenue, noted that once the Council hired a consultant, then the work product would be vetted through the Committee. Mr. Smith explained the Manager's role in the budget process. Mr. Salver discussed the Committee's role to make a recommendation to the Council.

Mr. Singh spoke in favor of hiring an outside company to assist the Village Manager with the budget. Ms. Cellini clarified that the Consultant and Department Heads should be present at the Committee meetings, if needed. Mr. Singh requested that the company be told that the Village wanted a zero based budget and the Committee would then ask the questions. Mr. Salver discussed the goal of the Consultant, to show the rationale used to come up with the figure in a line item, which should minimize the Committee's questions. Ms. Cellini questioned if the firm would ask the Department Heads to defend their requests. Mr. Singh clarified that the company would help to come up with a reasonable number and look at it objectively.

Councilwoman Cohen noted that the outside company would not make the determination on the items, but would provide a chart and more details. She added that the Council would make the judgment call on the items.

A motion was offered by Ms. Cellini and seconded by Mr. Salver to recommend that the Council hire an outside firm, to meet with Mr. Smith and assist him in formulating a new budget and presenting that budget to the Committee for further review. The motion carried (4-0).

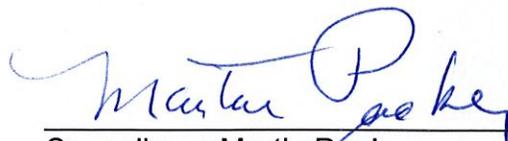
6. DISCUSSION OF PRELIMINARY BUDGET FOR THE FINANCE ACCOUNT: This item was not discussed and will be reviewed at the next meeting.

7. ANNOUNCEMENT OF NEXT MEETING DATE: The next meeting is scheduled for July 9, 2013, at 6:00 p.m.

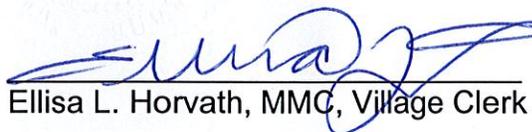
8. OTHER BUSINESS: None.

9. ADJOURN: There being no further business, a motion was offered by Mr. Singh and seconded by Mr. Salver to adjourn. The motion carried (4-0) and the meeting was adjourned at 9:44 p.m.

Attest:



Councilman Martin Packer



Ellisa L. Horvath, MMC, Village Clerk