

MINUTES OF THE MEETING

**FINANCE COMMITTEE
BOARD OF PILOT COMMISSIONERS
Sea Turtle Inn
One Ocean Boulevard
Atlantic Beach, FL 32233
January 9, 2003**

CALL TO ORDER:

Commissioner Buffington called the meeting to order at 1:09 p.m.

MEMBERS PRESENT:

J. Michael Buffington, Chair
Eugene Sweeney, Vice-Chair
John Hiers
David Leech
Cheryl Phipps
Victoria Robas
James Winegeart

OTHERS PRESENT:

Julie Baker, Director, Division of Professions
Anthony Spivey, Executive Director
Elise Rice, Government Analyst
Rivers Buford, Board Counsel
Tiffany Short, Prosecuting Attorney
Galen Dunton, Board Consultant
Numerous Guests

Commissioner Buffington informed the Committee that in the handouts there was the 5-year revenue forecast and the 1st quarter results, a draft of the 5-year budget and also a hand out of a list of questions and responses from Jay Culley, Business Manager for the Department.

Commissioner Buffington stated that since the last meeting he had attended a meeting presented by Mr. Culley. This meeting covered the methods used by the Department to determine cost allocation. Commissioner Buffington stated that he found this meeting to be rather time consuming and ineffective, the information could have been simply passed out as previously done eliminating the need for copious notes while providing a reference document. He stated that the letters to Mr. Culley were in the agenda and they explain his concerns with regards to the methodologies used.

Commissioner Buffington stated that also since the last meeting, he and Commissioner Robas had been attempting to acquire the Department's financial reports for the Board. Once the financial reports were obtained questions with regards to the reports were forwarded to the Department. He stated that unfortunately, none of his questions have been answered. Up until yesterday, the only direct response they received was from Deputy Secretary Geoffrey Becker. Mr. Becker's letter on page 167 implied that Mr. Culley's failure to meet the established deadlines was a result of the time consuming tasks required by the executive and legislative branches. Commissioner Buffington informed the Committee that he has just received some answers today and this was not timely enough.

Commissioner Buffington stated that early last year he attended a meeting in which Mr. Culley introduced the new financial report. The principle behind the new format was to provide the various boards and professions financial reports which yielded more information. Commissioner Buffington stated that they were told the reports were to be written in terms that would be more familiar to those in the business world. He stated that the terms and format would be presented in a fashion similar to the quarterly and annual reports published by publicly held companies. Commissioner Buffington stated that it was also emphasized that the reports would be timely, as specific deadlines had been established.

Commissioner Buffington stated that in his opinion the concept was excellent and achievable. Unfortunately the people responsible for putting this new format together had little idea of how to accomplish the task at hand. He stated that first; the financial staff initiated their task without clearly understanding the various finances of each board. Commissioner Buffington stated that now the business manager is supposedly swamped with requests from the various boards for missing information. Second, the Department in trying to provide a more informative document, has actually created a situation where the Boards are less informed. He stated that the footnotes to the financial reports are not being utilized or are underutilized. He stated that the Department assumes the reader of the report is knowledgeable of the Department's or the State's decisions. Commissioner Buffington stated that another indication that there is a lack of competence in those directing this project is that they have established deadlines, which they are unable to meet. He stated that Mr. Becker seems to indicate that Mr. Culley's office is consumed with the state budget issues, yet the development of the budget is an annual task. Commissioner Buffington suggested that should the tasks facing the business office far exceed those which were anticipated, the deadlines should have been amended since deadlines are meaningless if they are not kept. He stated that due to the fact that the deadlines have been missed by a wide margin; there have been no adjustments to the deadlines, and there is no assurance provided that any of the deadlines will be met in the future, certainly indicates the task at hand goes far beyond the competence of those in charge of its execution.

Commissioner Buffington commented that at this point he could only say that the new financial report format is a complete failure. He stated that there is less information within the reports and the reports are available at a much later date than when published under the old format. Now, after centralizing all of the accounting within the Department the financial staff is too busy to answer our questions.

Commissioner Buffington stated for those who were not aware, during the Special Legislative Session held last year to address the budget deficit, a law was passed which transfers monies from various state trust funds to the Working Capital Trust Fund. One of those trust funds affected by this law was the Professional Regulation Trust Fund. The law called for \$7,500,000 to be transferred from the Professional Regulation Trust Fund to the Working Capital Trust Fund. He informed the Committee that of the amount, \$52,500 was deducted from the Board's cash balance.

Commissioner Buffington stated that he contacted Geoffrey Becker, Deputy Secretary of the Department, requesting an explanation as to this transfer of funds. He stated that Mr. Becker indicated that the amount determined to be transferred from each board was about 20% of the cash balance of each board. Commissioner Buffington stated that he commented to Mr. Becker that he believed this was unfair as the Pilot Board was being penalized for being fiscally responsible. Commissioner Buffington stated that after a few calculations, had the number of licenses within each board been the criteria, our Board would have only paid about \$1,400.

Commissioner Buffington informed the Committee that Mr. Becker stated that he would not be surprised if the Legislature does it again this year. He further stated that the figure used by the Legislature (\$7.5 million) was based on the trust fund's annual earnings.

Commissioner Buffington stated that he thought it was interesting that the Legislature chose to utilize the earning of the trust fund to help meet the state's ongoing obligations while the Department, in determining the assessment to the board, did not factor this into their methodology. He stated that had this been the approach, the boards would have been paid zero percent on the prior year's earnings. In which case, the Pilot Board would not have received the \$12,767 in earnings. Commissioner Buffington stated that he believed this would have been a more fair and equitable approach.

DISCUSSION OF FISCAL 2001-2002 RESULTS:

Commissioner Buffington stated he had adjustments based on information he had just received. He informed the Committee that on Page 13 in the agenda the 4th quarter numbers were in error because he did not have all the necessary figures for this quarter. The year-end total for board administrative office should be adjusted to \$199,799 and the Rate Review Board adjusted to \$42,757. Commissioner Buffington stated that there was concern with the salaries that were being paid and determining the proper amount to budget for this line item. He stated that \$200,000 is significantly more than what was originally projected as the Committee was unaware of the higher salaries until after the budget had been formulated. The Board did project higher salaries for the future as \$185,000 was budgeted for 02-03.

Commissioner Sweeney asked what the number should be. He stated that he had a problem if you took the total for the last 3, 4 or 5 years, why did the total budget go from a \$350,000 range to a \$100,000 increase and most of it in the board administrative office. He questioned why this had gone up excessively? Commissioner Sweeney stated this had been questioned and never received an answer.

Commissioner Buffington and Commissioner Robas stated that was the problem they could never get an answer to their questions.

Commissioner Robas stated that they needed to watch the trust fund. Mr. Spivey cautioned the Board to be careful about bringing the Board into a deficit because there could be an assessment to the licensees. Commissioner Robas stated that a number of the boards barely have funds in the trust fund. Commissioner Leech questioned if a licensure fee was a more equitable way to access rather than the trust fund? Commissioner Buffington responded that the Board decided a long time ago to have low licensure fees for the beginning pilots rather than a high license fee. Commissioner Leech questioned if the assessment could be reduced, he was concerned that the Board generates a fair amount of money in the trust fund because of the assessments. He questioned if there was a way to make sure the money is kept for the board? Commissioner Buffington stated that it was a trust fund. The Legislature authorizes the use of the moneys within the fund not the Pilot Board.

Commissioner Buffington informed the Committee that the legislature determines if a transfer of funds will be done each year. He stated that the Department can only guess if it will be done again. Commissioner Buffington stated that he felt as Mr. Becker that it will be done again.

Commissioner Winegeart questioned if the Board was given a mandate to keep a certain cushion. Commissioner Phipps responded that it was a Board decision.

Commissioner Buffington stated that in the early stages of the reengineering process, the Executive Director asked on behalf of the Secretary that the Board not change the assessment

in order to keep a cash balance equivalent to one year's expenses. This is the only mandate we have ever had and we ignored it because we were never given an explanation as to why.

Commissioner Buffington felt that the Board should go back to the Department to find out exactly what the methodology was. Commissioner Buffington stated that the information he had received from Mr. Culley was not consistent with the methodology used; however, Mr. Becker's did. If Mr. Culley was correct then the Board should have only paid about \$12,000 in the 1st quarter.

The Committee discussed the assessment process. Commissioner Winegeart commented that the Board has the ability to change the assessment and it would be approximately 6 months before a change would be effective. He further stated that he did not see a problem with trying to adjust the money down.

Commissioner Buffington stated that the problem is that they have to be financially responsible and make sure there are adequate funds. The Department also has that responsibility to provide our Board with adequate information, however they are not living up to it. He further stated that when you don't get the information you cannot be held responsible if you don't have enough money. Commissioner Buffington stated that the Committee had been trying to leave a cushion because the Department is not providing the information and expense were on the rise. He also felt the Committee could not be faulted if a cushion was eliminated if while the Committee was not getting the information, they made assumptions as to what they thought the figures should be.

Commissioner Sweeney questioned what happens to the boards that are in a deficit.

Ms. Julie Baker, Director, Division of Professions, stated that she does not have the answers and apologized to the Board for them not getting the information they needed. She stated that Mr. Culley is very capable of getting the information to the board, however at this time he is severely understaffed. Ms. Baker stated that she disagreed with the Board that the Department was being financially irresponsible and stated that hopefully when the Board gets the additional information they will agree. She stated that the boards in deficit are in danger of being deregulated. Ms. Baker stated that she was here to try to help on behalf of the Department, Mr. Becker and Mr. Spivey to hear their concerns. She was willing to work and try to get the information the Board needed.

Commissioner Buffington stated that the Department should not take on any more projects until they get this resolved. He stated that he did not feel the Department was ready to deal with any more changes. Commissioner Robas commented that it appears the Pilot Board has been overly assessed and paid far more than should have paid and this needs to be on the top of the list of how to get it resolved.

Ms. Baker stated that late last year the Legislature looked at trust funds for money. She stated that the Legislature can take what they need, the Legislature was looking for money anywhere they could find it. Those that had money were hurt, not those that didn't have money. Ms. Baker informed the Committee that, with the passing of constitutional amendments during the election, there is a possibility they will be looking for money for funding and looking at the trust funds.

Commissioner Leech stated that they should give serious consideration on how best to protect the surplus they have so that they don't have a surprise assessment again like they just had.

Commissioner Hiers stated that he thought they should lower the assessment fee. Following discussion the following action was taken.

MOTION: Commissioner Sweeney made a motion that Board Counsel initiate rule making procedures for Rule 61G14-19.001.

SECOND: Commissioner Winegeart seconded the motion and it passed unanimously.

APPROVAL OF THE MINUTES OF THE MEETINGS:

April 25, 2002

Commissioner Robas asked Ms. Baker to review the minutes on Page 6 to understand that the Board takes this seriously and they put a lot of effort and time into the process.

Ms. Baker responded that Mr. Spivey has made her aware of this and this Board does more than the other boards with regards to the budget. She stated that everyone will work together.

MOTION: Commissioner Robas made a motion that the Committee approve the minutes as submitted for April 25, 2002.

SECOND: Commissioner Winegeart seconded the motion and it passed unanimously.

July 11, 2002 Minutes

Commissioner Buffington stated that on page 9 the last paragraph "report" should be inserted after budget. On page 10 under Budget Review, the first paragraph add "for the 5-year budget" to the end of the sentence.

MOTION: Commissioner Hiers made a motion that the Committee approve the minutes with the noted corrections.

SECOND: Commissioner Phipps seconded the motion and it passed unanimously.

September 12, 2002 Minutes

MOTION: Commissioner Robas made a motion that the Committee approve the minutes as submitted.

SECOND: Commissioner Winegeart seconded the motion and it passed unanimously.

DISCUSSION OF NEW FORMAT FOR DEPARTMENT FINANCIAL REPORTS:

Commissioner Buffington stated this had been discussed earlier in the meeting. Commissioner Robas question the splitting out of the Rate Review Board.

Commissioner Buffington responded that he had handouts for this. On Page 19 these are the 1st quarter results and he had corrections. He stated that in the 1st quarter results the attorney general's office was \$6208 and the Rate Review portion was \$392; the administrative office was \$36,356 and the Rate Review portion was \$3,306.

Commissioner Robas commented that when she reviews the revenue and expense sheets she wants to see what was budgeted. Commissioner Buffington responded that they will not see what the Board budgeted because they are the only ones that do this. He stated that he was waiting for the Department to resolve the issues with the financial reports before he makes any changes to his forms.

Commissioner Sweeney stated they were looking at numbers for April through June of last year for the first time and not getting answers to any questions. He wanted to know when the Committee could get answers to financial reports that were always 6-9 months old?

Commissioner Buffington stated that he was considering canceling this meeting because of not

having the figures, but he was given them at the meeting. Commissioner Robas stated they had this same frustration in trying to determine the increase in the salaries.

Commissioner Sweeney asked Commissioner Buffington why he kept doing the great job he does on the budget when he can't get any answers.

Commissioner Buffington stated that he responded to Mr. Becker when he asked why the Board kept doing this, that many years ago someone told them that they should look at the budget because they were told the Department might misallocate funds. He stated that he hopes when he raises the issue of the \$52,000 it will be looked at.

Commissioner Sweeney commented that the administrative office increased significantly and never got an answer as to why and it stayed at this level. He stated that he wanted to know what happened in last 2 years to cause this increase. Commissioner Sweeney commented that he hated coming to meetings and no one could answer the questions. It was frustrating to do this at every meeting.

Ms. Baker stated that there were several areas within the Department that the boards have to pay for such as personnel and the budget office that handles travel. These are not direct charges but are done based on the number of licensees.

Commissioner Sweeney wanted to know the direct charges amount.

Mr. Spivey stated that he spoke to Mr. Culley and asked him to attend the meeting but he was tied up and unable to attend. He would be able to provide the answers.

Commissioner Sweeney asked for an explanation to the significant increase in revenue for the past fiscal year in the first quarter. Commissioner Buffington informed the Committee that Tampa had made an error in their calculations for the assessment and there was about \$30,000 that they had to pay during the last fiscal year. The assessment rate had been adjusted from 0.6% to 1% for this fiscal year and that is the reason for the increase in the 1st quarter.

Ms. Baker stated that the Department will continue with the old form until they can get the reports the way the board would like. Commissioner Buffington stated that in Mr. Culley's presentation he said for the year end report they would also get a copy of the old samas report which they did not get. Ms. Baker said the Pilot Board will, from now on, receive a copy of the samas report.

Commissioner Robas commented that now she really appreciates all of the work Commissioner Buffington does to provide the Committee with the figures.

Commissioner Buffington informed the Committee that he will change his terminology to match the Departments.

DISCUSSION AND APPROVAL OF 5-YEAR BUDGET:

Commissioner Buffington stated that the Board raised the assessment to 1% and the budget was adjusted accordingly. He stated that for the Bureau of Testing there is a review of the examination's question bank. Commander Dunton stated that it took four (4) days to review the examination's question bank and it was done at the beginning of the fiscal year.

During discussion Commissioner Buffington stated that he was trying to understand if the earnings on the cash balance is what was taken by the Department and why did the Department

take more from the pilots than their earnings. Ms. Baker stated that she will find out what was done.

Commissioner Sweeney stated that the Committee could approve the budget on the expense side and if they approve the change to the percentage of the assessment at the next meeting, they could approve the balance of the 5-year budget. Commissioner Buffington stated that if he knew what the assessment might be he could do the budget based on that figure so the Department won't think there will be more money than there will be.

MOTION: Commissioner Sweeney made a motion that the Committee recommend the assessment be changed to .6% for fiscal year 03-04 to use with the 5-year revenue projections and 5-year budget.

SECOND: Commissioner Robas seconded the motion which passed with Commissioner Phipps, Commissioner Winegeart and Commissioner Buffington voting against the motion.

Commissioner Buffington stated that .6% will almost put the Board in a deficit, however .8% will give a surplus.

MOTION: Commissioner Sweeney made a motion that the Committee approve the 5-year budget as amended by the previous motion.

SECOND: Commissioner Hiers seconded the motion which passed with Commissioner Phipps voting against the motion.

ADJOURNMENT:

There being no further business to come before the Committee, the meeting was adjourned at 3:15 p.m.