

**061709 FINAL MINUTES  
BUDGET ADVISORY BOARD  
REGULAR MEETING**  
City of Fort Lauderdale  
100 North Andrews Avenue  
8<sup>th</sup> Floor Conference Room  
Fort Lauderdale, Florida, 33301  
June 17, 2009 - 6:00 p.m.

<b>Board Member</b>	<b>Attendance</b>	<b>10/2009 through 9/2009 Cumulative Attendance</b>	
		<b>P</b>	<b>A</b>
Alan Silva, Chair	P	1	0
Sam Monroe	P	1	0
Bud Bentley [6:15]	P	1	0
Keith Cobb, Vice Chair	P	1	0
Marc Dickerman	P	1	0
Desorae Giles-Smith	A	0	1
Fred Nesbitt	P	1	0
June Page	P	1	0
Anthony Timiraos	P	1	0
Ray Williams	P	1	0

**Staff**

Norm Mason, Liaison, Assistant Budget Director  
John Herbst, City Auditor  
Shonda Singleton-Taylor, Acting Director, Office of Management & Budget  
Jennifer Picinich, Recording Clerk, Prototype, Inc.

**Communications To City Commission**

- The Budget Advisory Board has requested an analysis of the reserve fund for the last eight years of the fund as a percentage of the operating budget; the analysis should also include a comparison to other comparable Florida cities.
- The Board requests the ability to create subcommittees as they deem necessary.

**PURPOSE:** To Provide the City with input regarding the taxpayers' perspective in the development of the annual operating budget; to review projections and estimates from the City Manager regarding revenues and expenditures for upcoming fiscal year; to advise the City Commission on service levels and priorities and fiscal solvency; and to submit recommendations to the City Commission no later than August 15 of each year regarding a budget for the upcoming fiscal year.

**1. Call to Order/Roll Call**

Mr. Mason called the meeting of the Budget Advisory Board to order at 6:00 p.m.

**2. Introductions**

- **Staff**

Staff members present introduced themselves

- **Board Members**

Ms. June Page stated she was a Fort Lauderdale native, had a Masters Degree in finance and was a retired Managing Director from the Bear Stearns Company Equity Department. She had 25 years experience in finance.

Mr. Marc Dickerman said he was a 20-year Fort Lauderdale resident, and had served on a number of county and not-for-profit boards.

Mr. Alan Silva announced he had lived in Fort Lauderdale since 1997. He had a Master's degree in Public Administration, and had worked in finance all his life. Mr. Silva had worked as Fall River City Administrator and as Fort Lauderdale Acting City Manager.

Mr. Fred Nesbitt was a three-year resident of Fort Lauderdale. He stated for the past 30 years, he had worked as a legislative representative for public sector pension funds. Prior to that, he had been a professor of political science and labor relations. He also had a doctorate from West Virginia University.

Mr. Anthony Timiraos said he was Chief Financial Officer of the Community Foundation of Broward. He was a 6-year Fort Lauderdale resident.

Mr. Sam Monroe stated he was Executive Director for the Fort Lauderdale YMCA, and was a Florida native.

Mr. Keith Cobb said he was a 20-year Fort Lauderdale resident. He had spent a large portion of career at KPMG and had worked as an external auditor for the City for 15 years.

Mr. Ray Williams had lived in Florida off and on for 20 years. He had been senior officer of a couple of large banks and president of a Washington D.C. bank. Mr. Williams had also served as president of United Way for 14 months. He was currently chairman of a community bank.

### **3. Election of Chair and Vice-Chair**

Mr. Dickerman nominated Mr. Silva as Chair, seconded by Mr. Nesbitt. Board unanimously agreed.

Mr. Williams nominated Mr. Cobb as Vice Chair, seconded by Mr. Nesbitt. Board unanimously agreed.

### **4. Establish Meeting Schedule**

[This items taken out of order]

The Board agreed to meet again in two weeks, on July 1.

### **5. New Business**

Chair Silva felt that meeting once a month might be difficult if they were hoping to have some meaningful impact on the budget. Mr. Dickerman believed the Board had until August 15 to provide their recommendations to the City Commission. Mr. Herbst explained there were two readings of the budget before the City Commission in September. The City Manager presented his budget to the City Commission in July and the City Commission took it up for consideration at the first meeting in September. At their second meeting in September the budget would be adopted. Between the two City Commission meetings, Commission members made recommendations to the City Manager for changes. Mr. Herbst felt the Board had until that first City Commission meeting in September to provide their input. Ms. Singleton-Taylor stated the property appraiser provided the final taxable value to the City on July 1.

Chair Silva remarked that this did not give the Board much time. He believed there were many things they could be doing before July 1, such as examining the revenues, and analyzing what the budget could look like in the near future. Chair Silva had heard that property taxes would decline 8 to 10% a year for the next few years. He believed they should consider examining "big-ticket items that are problems" such as pensions.

[Mr. Bentley arrived at 6:15]

Ms. Page asked Chair Silva why the Budget Advisory Board "didn't work when it was seated last time." The notes indicated the Board had felt it was not making an impact. Chair Silva said the Board had experienced problems achieving a quorum for its meetings. Members also doubted they were having a meaningful impact with the City Commission because the Commission would not be given copies of their minutes until

they had been approved by the Board. There were also problems getting staff to provide information to the Board on a timely basis.

Mr. Williams believed they must examine expenses, since revenues were relatively fixed. He wanted to consider what the private sector could do more efficiently and effectively than the City could. Mr. Williams felt staff should be challenged to consider out-of-the-box options, to “reinvent what government is” and how they did business if they wanted to make a difference regarding expenses. Staff should inform the Board about the City's major expense areas and what the priorities were.

Mr. Dickerman informed the Board that the Mayor and Commission desired there should be no increase in taxes and no cutting of staff.

Ms. Singleton-Taylor had brought the following documents for the Board: the budget for the current year and the Capital Improvement Plan [CIP]. The budget document would give the Board an idea of the philosophy on which the budget was based. The CIP included projects planned for the next five years.

Chair Silva stated they needed to “bring people into the realm of reality.” He noted they could not be looking at a \$30-\$40 million cut in the budget that he anticipated would be replicated for the next few years, while maintaining nine pages of initiatives and projects. Chair Silva felt they might want to recommend setting a policy regarding how much they could dip into reserves every year. He pointed out that using reserves for operating expenses was only “postponing the day of reckoning” for making cuts.

Mr. Cobb asked about the impact pensions had on the City budget. Mr. Herbst explained that the Police and Fire and General employees had different multipliers, contribution rates and trust boards. They also had different un-funded liabilities. The contribution rate for Police and Fire pension last year was 36% of payroll; the year prior was 49% and the current rate was 48%. For General employees, last year's rate was 24%; this year's rate was 25.5%. Mr. Herbst added that Police and Fire pensions were mandated by Florida Statutes, which set a minimum level of benefits. He stated the City's benefits exceeded these minimum levels, but noted it was very difficult to change those levels because the pension plan was partly funded by insurance premiums. If they created a new class of pension recipient, the state could strip the City of its premium dollars for setting up that other class. There was also a collective bargaining issue. Mr. Herbst explained how pension contributions were calculated.

Mr. Herbst explained that the drop program was pension payment to which the employee would be entitled based on retiring after of 20 years of service. The employee was given the option of a lump sum payment. He clarified that “double

dipping” was not permitted for pension purposes; if an employee returned to the Fire Department or Police Force, his or her pension would be terminated and the employee would go back into the pension plan. Mr. Herbst explained that the drop program was initiated as a way to provide management some control over when an employee left the system.

Mr. Cobb remarked that pension costs at 48 or 49% of payroll were “absolutely absurd.” Mr. Herbst reminded the Board that the City's people were its only asset, and they therefore had an incentive to balance economic needs with the need to have quality personnel. He remarked that Police agencies all over the country were short-staffed because there was a shortage of people wanting to do these jobs.

Mr. Nesbitt said it cost Fort Lauderdale \$300,000 and five years to train each firefighter or police officer. These employees could then be hired by another municipality that paid better, leaving the City to hire and train a new employee. Mr. Williams believed the primary cause of turnover was not compensation, but how people were managed and treated.

Mr. Cobb asked if the City had considered across-the-board pay cuts as an option to deal with the budget shortfall. Ms. Singleton-Taylor believed this had been discussed, but not considered in detail. Mr. Herbst pointed out that 80% of staff was under union/collective bargaining agreements and this would be considered an unfair labor practice. According to the City Attorney's office, during times of financial stress, contracts could be reopened for pay issues. He noted this could result in arbitration, which the City could lose. Chair Silva said the City could impose a contract, as had happened when he worked for the City.

Instead of discussing these details, Mr. Nesbitt wanted to concentrate on how the Board should function and how they could have an impact in order to meet the expectations of the City Commission.

Mr. Silva asked staff if workshops were scheduled, and said he hoped the Board could be made aware of staff suggestions and given the opportunity to comment on these before they were presented to the City Commission.

Ms. Singleton-Taylor said staff had attended the City Commission's goal-setting session, and would incorporate what they had heard into departments' zero-based budgeting requests. After departments finalize their requests, staff would have approximately 3 weeks to produce a budget.

Mr. Nesbitt inquired about federal stimulus funds. Ms. Page informed him that the City was applying for \$5 million in stimulus funds to put toward the Fire Bond fund to help build fire stations. She confirmed this could not be used for operating expenses. Mr. Herbst reminded the Board that the City made contributions to the Capital Improvement Plan out of the general fund; if they received stimulus funds they would have the option of forgoing this contribution.

Mr. Williams asked Ms. Singleton-Taylor what direction staff had been given regarding prioritization and structure for their zero-based budgeting. Ms. Singleton Taylor said they had received direction from the Commission regarding its priorities.

Mr. Herbst stated 25% of the budget was "operating expenses" [non-labor costs], many of which were necessary. Discretionary items included professional services, travel, training and office supplies, and comprised perhaps 5 - 10% of the total budget.

Referring to the 20 pages of priorities the Commission had presented to staff, Mr. Williams felt these were "wants" not necessarily "needs" and the Commission would need to make some hard choices. The process should identify what was absolutely needed and what was the most cost-effective way to supply those needs. Once this was done, they could consider other things. Mr. Williams stressed this would necessitate hard decisions and a commitment to do things differently. Mr. Herbst said they needed to define what level of service they wanted to deliver to residents and base the budget upon that.

Mr. Cobb asked Ms. Singleton-Taylor the process for zero-based budgeting. Ms. Singleton-Taylor explained that instead of starting with a base budget as they had in years past, they started at zero, looked at programs and defined staffing levels based on Commission goals and objectives and the programs' purpose. They also considered performance measures and expenditures, and departments were required to justify any expenditure of \$25,000 or more. Mr. Nesbitt thought projects and goals to which the Commission was previously committed or were already underway would be the starting point and this would be added to as budget allowed. Mr. Cobb stated this was not zero-based budgeting.

Mr. Williams asked if the Board could communicate with the City Commission that this was not zero-based budgeting, and would not provide the result the Commission sought. Ms. Singleton Taylor said there was a tool the Board could use to communicate with the Commission. Mr. Herbst reminded Board members that an individual member could phone an individual commissioner at will. Chair Silva advised the Board could send the Commission a communication at the end of each meeting expressing their concerns and suggesting direction.

Mr. Williams proposed communicating to the Commission that “What the staff is currently being instructed to do is not consistent with the disciplines that's going to get them what they want to get.” The Commission must amend their instructions to staff to provide a “much clearer definition that's closer to a process that's real zero-based budgeting” to resolve this.

Mr. Bentley asked if there had been any change to the City's automated budget system, which allowed them to capture and process \$300 million of expenditures and repackage them in any format other than a traditional line item budget.

Mr. Mason took exception to the statement that their budget was not zero-based. Staff had been instructed to create a program proposal from the beginning, as if there had been no program at all; this was a zero-based initiative. Former practice was to begin with the previous year's budget and ask what a department wished to add or subtract from that. The budget had not been adjusted by line item but by program proposal.

Mr. Nesbitt and Mr. Williams stated public safety was the City's number one responsibility. Mr. Herbst agreed, and noted that Commissioners had stated Public Safety was not to take a hit because it was the key function of municipal government. He felt the question the Board should examine was how to deliver those services. They should consider whether there ought to be a public information officer or attorney in the Police Department; if there should be sworn officers who sat behind desks, and whether the level of supervisors was appropriate. Mr. Nesbitt noted that given their timeline, the Board would not be able to ask these questions. Mr. Williams stated, “We don't need to, if we raise it [the question] to help define the process more clearly for the Commission... this is something that's going to have to be done by staff being ready and the Commission wanting to take a different role...”

Chair Silva asked Board members where they felt they should exert influence. Mr. Timiraos stressed that this was a service business and expenses were usually the result of the payroll. He felt they would get nowhere unless they cut the payroll.

Mr. Cobb asked if the budget was modified throughout the year. Ms. Singleton-Taylor responded that Commission action could alter the budget throughout the year. The Office of Management and Budget prepared a monthly trend analysis by department to track changes. Mr. Herbst added that the budget was continually revised to accommodate operating needs.

Chair Silva had prepared a handout based on what was in the budget currently, and what the Commission indicated for increases and decreases, as well as some other increases Chair Silva felt would be problematic. Chair Silva stated if one added up all

revenues and all expenditures, the original budget counted on expenses being \$17 million more than incoming revenues. If this practice continued next year they would need to use \$29 million from the fund balance.

Mr. Herbst felt a key point for the Board to consider was what the appropriate level of fund balance should be and how much should be used to get through this difficult economic period. Mr. Cobb agreed, and said he wanted to know what the percentage of the fund balance was relative to the budget, what it had been for five years and how it compared to five largest Florida cities. Mr. Herbst said it was approximately 22%; five years ago it had been zero. Mr. Herbst stated the trade group for the City's operating environment was the Government Finance Office Association [GFOA], which recommended the fund balance should be 5 to 15% of the budget. Fort Lauderdale's policy was 7%, which they had dramatically exceeded for the past three years. He noted that since this was a hurricane prone area, a higher percentage was more appropriate.

Mr. Williams asked if it would be possible to have a workshop between the Board and the City Commission to discuss issues and provide more specific direction to staff. Chair Silva remarked that staff was already on the path dictated by the City Commission. Mr. Bentley noted that departments had already made their budgets for the coming year.

Ms. Singleton-Taylor confirmed that the City Manager would present a balanced budget to the City Commission. Mr. Bentley believed this would necessitate using fund balance to a great extent. Ms. Singleton-Taylor reminded the Board that staff had taken a close look at every activity, and departments had been required to justify their requests for funding. The Office of Management and Budget would decide whether departments properly justified their requests. Mr. Cobb asked if departments were required to justify the ratio of supervisors to line employees. Mr. Mason said they were, because structure was a factor in every program. Mr. Williams believed "You will find almost no one who will ever recommend expanded span of control; you will find no one who will recommend reducing tiered layers of management."

Mr. Herbst stated five years ago there had been an outside consultant report, which indicated the Police Department did not have sufficient supervisory staff at the top and the supervisory structure they had now reflected the recommendations of the consultant. He had discussed this with supervisors and rank-and-file who indicated they would be happy to reconsider this.

Ms. Page wanted to return to discussion of how the Board should be organized. Mr. Nesbitt felt that given their timetable, the most effective thing they could do would be to



make broad recommendations this year, for instance, how much of the reserve fund should be used in the budget. Perhaps they could also raise questions they felt the City Commission needed to ask as they deliberated regarding the budget.

Mr. Herbst thought the Board might want to consider the process used in Jacksonville, where he previously worked. In Jacksonville, the Mayor presented his budget in July, and then committees of the City Council had 10 days of meetings with departments to allow them to justify their requests. He agreed this could be difficult on staff considering their current workload. He suggested that between the time the budget was initially presented in its adoption, the Board could hold as many meetings as needed to discuss program areas with staff. Once the budget was back from the printer on July 9, they could meet as a complete Board or in subcommittees with any/all City department(s). The subcommittees could then make recommendations to the entire Board.

Mr. Herbst stated the Board would “play a vital role in helping the Commission do its due diligence.” He stated his office avoided getting involved in policy issues but he believed it was within the Board’s purview to make policy recommendations. Mr. Herbst suggested the Board concentrate on tax-funded programs and the larger departments.

Mr. Cobb believed he could be most useful by reading background material and developing broad recommendations for the City Commission regarding “leveraging supervisory capability... across-the-board decreases,” and other items the Board had discussed.

Ms. Page noted that the Board could not create subcommittees without prior City Commission approval. Chair Silva said they could communicate to the City Commission that they had decided to organize the Board to include subcommittees. He liked the suggestion someone had made for Board members to write up recommendations after each meeting and emailing these to other Board members prior to the next meeting.

Ms. Page pointed out that it was easy to make a suggestion to cut Police and Fire budgets. She was very familiar with the Fire Department and knew it was understaffed per federal standards and guidelines. If they cut the Fire personnel in certain areas it could critically damage the City. The Board should therefore be very careful that it knew what it was talking about before suggesting cuts.

Mr. Cobb believed they should look at the ratio Citywide of management to employees, and this would be one of 10 things he would recommend the City Commission look at. Chair Silva suggested consolidating departments would save on management positions.

Mr. Cobb suggested the next thing they should examine was the fund balance, its levels over the past eight years and how it compared with other cities.

Mr. Dickerman asked if the Board would continue to meet once the budget was approved in September. Mr. Herbst and Ms. Page stated they would. Mr. Williams believed the Board could help the Commission to fine-tune what they asked staff to do and how they asked them to do it.

Mr. Herbst stated the Board's short-term mission was to examine the budget to be presented in September but they should also consider how they could provide value to the Commission going forward. He noted that Budget Advisory Boards fell into two categories: those that provided advice regarding the annual budget and those that performed ongoing budget monitoring. He advised that regarding the annual budget, outreach should be performed with residents to determine what their budget priorities were. He believed the Budget Advisory Board was a good forum to hold neighborhood outreach meetings. The input they collected at these meetings could be provided to the City Commission.

Ms. Page asked Chair Silva if previous Budget Advisory Boards had tried to schedule meetings with residents. Chair Silva said individual Budget Advisory Board members had been invited to department hearings when they showed an interest. Mr. Herbst remembered that when he first started working for the City there was a motion made to abolish the Budget Advisory Board, which failed. He was then asked to recommend what the Budget Advisory Board could do to add value and engage the Board members to make them feel their time and effort was meaningful. Mr. Herbst proposed adopting the best practices of the GFOA regarding public outreach. This idea was initially supported but historic tax reform subsequently took place in the Commission deemed this public outreach "to not be a fruitful experience" as they had no idea what the revenue stream would be. So the Budget Advisory Board had been furloughed for a year.

Mr. Williams suggested the Board meet again in two weeks, and in the interim Board members could email possible recommendations to make to the Commission for the long and short term.

Chair Silva said if some Board members wished to meet with departments in a subcommittee capacity, this should be indicated in the email for City Commission approval.

Mr. Mason stated at the recent Better Meetings Academy, he was informed that he was responsible to create a one-page summary of items the Board wanted to communicate

to the Commission. He suggested Chair Silva be designated to receive Board members' emails and he could consolidate their suggestions into one list to submit to Mr. Mason to submit to the City Commission. Chair Silva wondered if this would satisfy Sunshine Law requirements. Mr. Herbst said this should be checked with the City Attorney's office.

Ms. Page stated the City Commission wanted "a couple of bullet points from every single committee after every single meeting about what are the most important things that you have to say."

Mr. Dickerman said he had been in attendance at the Commission conference meeting where they had discussed this, and at the previous evening's City Commission meeting where they actually read the reports. He felt the Board was encouraged to send a report to the Commission, and as they progressed they should submit their suggestions, but there was no necessity to send a communication.

Mr. Herbst reminded the Board that they had the ability to ask staff questions without going through the City Commission.

## **6. Adjournment**

With no further business to come before the Board, the meeting was adjourned at **8:30** p.m.

**Next regular meeting: July 1, 2009**