

**072309 FINAL MEETING MINUTES
BUDGET ADVISORY BOARD
REGULAR MEETING
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Fort Lauderdale, Florida, 33301
July 23, 2009 - 6:00 p.m.**

Board Member	Attendance	10/2008 through 9/2009 Cumulative Attendance	
		P	A
Alan Silva, Chair	P	3	0
Keith Cobb, Vice Chair	A	2	1
Bud Bentley	P	3	0
Marc Dickerman	P	3	0
Desorae Giles-Smith	P	1	2
Sam Monroe	A	1	2
Fred Nesbitt	P	3	0
June Page	P	2	1
Anthony Timiraos	P	3	0
Ray Williams	P	3	0

Staff

Shonda Singleton-Taylor, Budget Director, Office of Management & Budget
 Michael Kinneer, Finance Director, Office of Management & Budget
 Norm Mason, Liaison, Office of Management & Budget
 Linda Flynn, Treasurer
 John Herbst, City Auditor
 Jennifer Picinich, Recording Secretary, Prototype, Inc.

Guests

Fort Lauderdale Commissioner Charlotte Rodstrom

Communications To City Commission

Draft scope and goals document attached.

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

Chair Silva called the meeting of the Budget Advisory Board to order at 6:01 p.m.

2. Review of Meeting Minutes (July 1, 2009)

Motion made by Mr. Bentley, seconded by Mr. Nesbitt, to approve the Board's July 1, 2009 minutes. In a voice vote, motion passed unanimously.

3. Review of the Proposed FY 2010 Budget

The Board had been provided with a copy of the PowerPoint budget presentation for discussion.

Chair Silva was concerned that there was no analysis of what changes had taken place as a result of zero-based budgeting, or its impact in the long run. Ms. Singleton-Taylor explained that the departmental budgets had been prepared based on zero-based budgeting; she was unsure what Chair Silva meant by analysis. Mr. Williams asked if departments had been reviewed for expenditure priorities and how they distinguished between departments and prioritization. He wondered if additional money could be saved by moving items further down on the priority list. Mr. Williams asked for examples of excess spending that had been discovered and examples of increased efficiencies realized by the process of examination.

Ms. Singleton-Taylor explained that the justification process they had gone through was their analysis; they had asked departments to provide justification for expenditures greater than \$25,000.

Mr. Bentley asked how budget decisions were currently made. Ms. Singleton-Taylor stated these decisions were made between the Office of Management and Budget and department directors. They started with the City Commission's goals and objectives and the service levels that were needed in order to implement those goals and objectives. Expenditures that departments were unable to justify had been removed. These decisions were made by staff, department heads and the City Manager's office.

Mr. Herbst stated the City Commission's direction had been that there should be no reduction in vital city services, not that there would be no reduction in *any* City services. Zero-based budgeting presumed that programs would be evaluated and those that did not meet a certain priority level would be eliminated. He asked Mr. Mason if any programs had been analyzed and cut.

Mr. Mason explained that each department had submitted a program proposal form that staff had analyzed. Chair Silva requested a list of programs that were cut, and those that had been consolidated.

Mr. Nesbitt said they intended to cut 68 positions in 2009/2010, but they had already cut 60 positions in the past three years, so the City was really losing 128 positions. He noted that someone still needed to do that work of these positions. Mr. Herbst pointed out that in any organization the vacancy rate was typically 8 – 10%, and many of these positions had been vacant for some time.

Chair Silva asked about the estimate for red light camera fine revenue. Mr. Herbst said staff had recommended selecting a vendor that guaranteed a flat dollar amount. Mr. Mason said the \$1.8 million revenue projection was extremely conservative, based on 11 tickets per day, per intersection with 60% compliance. He estimated that as long as the cameras could be installed by April 2010 this estimate would be met.

Chair Silva asked about legal challenges to the red light cameras. Mr. Herbst explained that there were legitimate legal questions regarding whether code violations could be used against nonresidents. He was concerned that in the event of litigation, the City would need to put all this money into escrow until that was resolved.

Regarding the fleet auction revenue, Chair Silva noted that usually funds from the sale of an asset were used not for recurring expenses but for another asset. Ms. Singleton-Taylor explained that this was not “one-time money;” they received the funds every time they held an auction. Mr. Herbst noted that they were extending the service life of vehicles, so the number of surplus vehicles would be significantly reduced, and asked if this revenue had been adjusted, or if the figure was based on their present replacement cycle. Mr. Herbst thought that the fleet replacement charge to individual departments presumed the sale of the vehicles to come up with a lower reduced rate, so the replacement amount should have been adjusted as well. Ms. Singleton-Taylor agreed to check with the Fleet Director on this question. Mr. Herbst informed the Board that after discussions with the City Attorney's office, his department would perform a “second look” at the assumptions and calculations for this item.

Ms. Singleton-Taylor informed Chair Silva that the attorney's fees for confiscation-related litigation was a continuing resource. The money currently went into the law-enforcement trust fund and the City Attorney would charge the fund back for cost recovery. Mr. Herbst explained that by law, all fine and forfeiture monies must stay in the special revenue fund and could only be spent on certain activities related to law enforcement. They were now permitted to assess a portion of the attorney's fees to go to court to pursue forfeitures.

Under non-discretionary increases and contractual obligations, Mr. Williams felt that a 5% cost-of-living increase was “almost unconscionable in this kind of an economic environment.” Ms. Singleton-Taylor stated merit increases were 5% on average for those who were eligible. Mr. Williams asked if there had been any discussion regarding a freeze on salary increases. Ms. Singleton-Taylor agreed to report back exactly how many employees were not covered by contract.

Mr. Williams reminded the Board that they were they were currently in negotiations with Fire and Police and would be in negotiations next year with other contract employees, and City “leadership can make a statement by doing something now with a few people that might help us in the future because the kinds of increases we’re talking about really are basically unconscionable in this kind of an economic environment.” He said they must speak with senior management to figure out a way to send a message that they were willing to set an example.

Chair Silva remarked that there seemed to be a significant increase in workers compensation. Ms. Singleton-Taylor explained this figure was based on the actual cost of claims.

Chair Silva asked how much of the pension increase was for general employees and how much was for Fire and Police. Mr. Mason stated six of the seven million was Police and Fire. The Police and Fire asset value had dropped \$120 million in their portfolio in the past year. The actuarially assumed rate of return for the portfolio was 7.75%. Mr. Herbst believes that this rate of return was reasonable over the 30 year lifetime duration used for the actuarial estimates.

Chair Silva asked what the un-funded liabilities were in pensions. Mr. Mason said prior to this year, they were approximately \$125 million for Police and Fire and \$110 million for general employees; as of now, Police and Fire were approximately \$150 million.

Mr. Williams asked if there had been discussions to explore other sources of revenue, such as excess property and moving enterprise activities out of the restricted area. Mr. Herbst stated enterprise funds could be moved into the general fund, but state law required that fee for services in the enterprise funds must be related to the cost of providing those services, they were not supposed to generate a surplus. Mr. Williams felt that outsourcing an intergovernmental agreements should be investigated for generated revenue. He wanted to “encourage the Commission to give direction to the City to get some of these things done and hopefully they will have a positive revenue impact before the end of the year.” Mr. Herbst agreed there were many creative avenues that could be explored for additional revenue sources.

Mr. Dickerman favored making a recommendation to the City Commission to divert revenue from parking meters and fines to the general fund as an income generator. Mr. Herbst said the State could deem this as improperly augmenting the general fund with fee-based revenue. Chair Silva asked Mr. Mason to provide the Board with information regarding the administrative charges for each of the enterprise funds. He also wanted to know the payment in lieu of taxes that the enterprise funds paid.

Chair Silva asked about the \$1 million additional for overtime. Mr. Mason explained that the Police had an artificially low overtime budget and there had been an amendment a few months ago to increase their overtime from \$3.3 million to \$4.7 million.

Mr. Nesbitt noted that when Police officers were paid for detail work, the entity that hired the officer did not reimburse the City for the costs to train the officer, or for the equipment costs. Mr. Herbst did not know whether State law allowed cities to recoup these costs. Mr. Bentley said the costs could be run through the City's books and stated the City revisited this idea every few years. Chair Silva said the Board could suggest that staff look into how much money was involved in Police details and consider adding an administrative fee. Mr. Bentley explained that the City's detail rates were competitive, and adding an administrative fee might make the rates less so.

Chair Silva asked about Planning and Zoning, and Housing and Community Development costs. Mr. Herbst said it typically was difficult to administer programs on the amount that grants allotted, and cities often had to make contributions from their general funds to the programs. He noted there were numerous monitoring and recording requirements. Chair Silva wondered if would be less expensive to administer this program through a nongovernmental organization rather than using City staff.

Chair Silva stated at the previous evening's Commission meeting, he had not heard about downstream requirements for maintenance, administration, up keep, etc. for capital improvement projects. Mr. Mason explained these figures were included in each project's application.

Regarding the 68 frozen positions, Chair Silva asked if resources had been reallocated and operations changed so that these positions would not be needed in the future. Ms. Singleton-Taylor believed this was the goal, and noted that one of their long-term budget strategies was to employ more efficient ways of doing business throughout the City. Chair Silva wanted the positions to be deleted instead of frozen, remarking that the frozen positions would remain part of the staffing pattern, and the work that was supposed to be done by employees in these positions could require someone else to work overtime. Mr. Mason noted that if the positions were ever needed in the future, it

would take months to get a new position approved. Ms. Singleton-Taylor explained that some positions could not be deleted per contractual obligations.

Chair Silva asked what “Reduce Payroll Funding” meant. Mr. Mason explained that this was the attrition factor they had determined based a study performed the previous year. It had been adjusted in accordance with the economy.

Mr. Williams requested additional information on the \$3.6 million operating expenditures reduction.

Chair Silva asked about the reserve analysis the Board had requested. Mr. Mason said he had completed the City’s reserve analysis, but did not currently have the time to perform this analysis for other cities. Mr. Mason distributed his General Fund Analysis to Board members. Mr. Williams noted that the fund would drop from \$85 million to \$58 million. Mr. Mason stated \$15 million had been used for CIP Projects and \$9.5 million had been used for pensions.

Mr. Williams noted that staff had reduced the budget gap approximately \$7.5 million, but they must find other ways to save. Mr. Williams wanted to identify the items that were not as high a priority and find a way to defer or eliminate them. He believed staff must be directed to find additional places to cut ongoing expenses. Mr. Bentley remarked that it was not just a direction that could be given to staff; the Commission must also change its policy.

Chair Silva asked if staff could confirm Full Time Equivalent levels because it appeared to him that the numbers were inaccurate. Ms. Singleton-Taylor stated in 2007-2008 they had frozen 60 positions. Chair Silva said the FTEs did not reflect this. Chair Silva explained how he had made his determination, and Mr. Mason said this figure was incorrect and he would investigate it.

Mr. Nesbitt suggested that at their next meeting, they could focus on revenues and come up with a specific recommendation for the Commission. They could then consider expenditures.

Chair Silva stated they would discuss the general financial policies of the City at their next meeting.

4. Status of Action Items

- Staff provided copy of the Proposed FY 2010 Budget

5. Communication to the Commission

- Board approved Scope and Goals Document
[This item was taken out of order]

Chair Silva informed the Board that the City Commission was in possession of and had discussed the three-page document he had finalized after their last meeting. He said he could reduce the document to two pages by removing the meeting dates and editing the format a bit.

Ms. Page stated she had met with Commissioner Roberts and there were certain things in the document he had informed her he would never approve. These included anything regarding operational efficiencies and subcommittees. Commissioner Roberts felt making changes to operations was outside the Board's purview and he had informed Ms. Page that subcommittees were no longer approved for legal reasons.

Commissioner Rodstrom arrived at the meeting at 6:10.

Ms. Page stated she was not comfortable with some aspects of the document. Mr. Bentley felt they could achieve what they desired with more general language. Mr. Williams said the Board did not intend to "get into doing staff work", but thought they could assess whether staff was currently performing their work efficiently.

Chair Silva felt the Mayor had indicated that the Board would be given a wide scope over the course of the year.

Ms. Bentley was concerned about some of the long-term goals, such as items 2, 4, 6, 7, 8 and 9. He thought the way this was worded, it would concern staff and union representatives that the Board would be a "disruptive force." He suggested using other language, such as, "Look at the workforce utilization, which would include the use of part-time and temporary workers, use of overtime and use of contracts for services; and that we take a look at the organizational structure of departments including such related topics as span and control."

Mr. Bentley remarked to Mr. Nesbitt that the long-range goals were too specific and would also lead them into a quasi-management role. Mr. Bentley said this was about providing recommendations to the Commission about the way they organize and operate the business.

Mr. Williams interpreted the edited document to mean that these were areas that ought to be looked at in the interest of becoming more efficient and effective. He believed the Board could play a role in ensuring that management addressed these areas proactively.

Chair Silva felt some specificity was needed to tell the Commission what the Board would like to do. If the Commission did not want the Board to deal with any of these items, they could instruct them so at any time.

Mr. Nesbitt believed the Board had implied at the last meeting that their long-range goals were a work in progress they may well decide to revise as they went along. He recommended they come to an agreement regarding the short-term goals, and that they revisit the long-term goals based on what they learned.

Ms. Page said Commissioner Roberts had indicated to her that he and the other Commissioners were just beginning to form an opinion on how they would like the Board to represent them. Commissioner Roberts had said he would attend the Board's next meeting. Ms. Page felt Commissioners would come to the meetings to help them formulate their long-term plans.

Ms. Page said Commissioner Roberts had liked the idea of determining how residents prioritized City services. Ms. Page had read about this and discovered how successful cities that did this were, and how influential their budget advisory boards were and she felt they should therefore do this. Ms. Page agreed that determining long-term goals should wait until the Board operated for a while.

Ms. Page said Commissioner Roberts had warned her that they were proceeding in the same direction as the previous Budget Advisory Board that had disbanded and she did not want to go that way.

Mr. Williams pointed out that this document did not say the Board would do anything other than raise questions to ensure that management was effectively addressing these areas of efficiency.

Mr. Herbst said in his job, he tried to focus on effectiveness. He suggested that rather than getting bogged down in long-term goals, the Board should focus its energy on dealing with what was in front of them today. They could reconsider their long-term goals after October.

Motion made by Mr. Williams, seconded by Mr. Dickerman, to accept Chair Silva's edited draft of the Scope and Goals document.

Mr. Bentley asked Chair Silva if he could "live with" the document without the long-term goals; Chair Silva refused.

Commissioner Rodstrom agreed the Board must get moving on its short-term goals, but they should also have stated long-term goals in order to remain viable throughout the years the Commission would need them. She suggested they could indicate in the document that the long-term goals would be revised as time went on. She pointed out that the document listed items as concerns, not objectives, to be brought to the attention of the Commission.

Mr. Nesbitt agreed with Commissioner Rodstrom's suggestion, and Mr. Dickerman recommended referring to the long-term goals as "a work in progress." Chair Silva wanted more specific language but Mr. Williams wanted to be more general and use the "work in progress" language. Commissioner Rodstrom suggested the language, "Working on long-term goals after October 1" and leaving in long-term goal items for the Commission to review.

Mr. Bentley suggested a friendly amendment to consolidate items 6, 7, 8 and 9 into a single item indicating the Board would evaluate to the City's workforce utilization, which would include: a) use of part-time and temporary workers; B) use of overtime; and C) use of contract services.

Mr. Timiraos felt the listing of the long-term goals was too specific and suggested a friendly amendment to remove it.

Mr. Williams refused the friendly amendments to his motion.

Mr. Nesbitt recommended they indicate they would be working on their long-term goals after October 1, 2009, retain the first two paragraphs under long-term goals, and remove the list of cross cutting concerns.

Mr. Williams urged the Board to vote on the pending motion as stated.

Mr. Herbst suggested changing the language, "Among the cross-cutting concerns that the Board foresees during the year are:" to: "The cross-cutting concerns that the Board foresees during the year may possibly include:" Mr. Williams accepted this amendment.

Chair Silva clarified that the motion was now to approve the edited document with the following two changes. The section title for the long-term goals section would include the words "working on long-term goals" and the language, "Among the cross-cutting concerns that the Board foresees during the year are:" be changed to: "The cross-cutting concerns that the Board foresees City staff addressing during the year may possibly include:"

In a voice vote, motion **passed** 7 – 1 with Ms. Page opposed.

6. Questions/Concerns

The Board and staff discussed proper ways to communicate, pursuant to Sunshine laws. Chair Silva asked Board members to email suggestions for their next meeting agenda to him.

With no further business to come before the Board, the meeting was adjourned at **9:11** p.m.

Next meeting: August 6, 2009

[Minutes prepared by J. Opperlee, Prototype, Inc.]

Scope and Goals of Budget Advisory Board,
Approved Unanimously by the Budget Advisory Board, July 1, 2009
Revised July 23, 2009, on a 7-1 Vote

Scope

The scope of the Budget Advisory Board shall be as ample as possible to provide comments and recommendations to the City Commission on all budgetary matters. This includes:

1. budget formulation (providing taxpayers' perspectives, review of projections and estimates of both revenues and expenditures, and advice on service levels and priorities);
2. monitoring of the budget during the year, comparing actuals to budgeted amounts and suggesting mid-course corrections, as needed;
3. addressing special concerns and overarching issues during the year (e.g., overtime controls, span of control and supervision, and efficiencies of operations);
4. advise on the fiscal solvency of the City and the City's General Financial Policies;
5. reviewing, commenting, and advising on (a) the budget proposed by the Manager and (b) issues surfaced by the monthly financial reports;
6. In undertaking this scope, we anticipate a close collaborative relationship with staff in analyzing issues, highlighting public concern, and focusing attention on reinventing and reengineering municipal services in light of the fiscal realities.
7. We understand that "matters subject to labor bargaining will not be within the scope" of the Board; we consider this to be review of the details of the collective bargaining agreements, but not preclude us from review and advising on personnel-related costs (which are some 75% of the budget) --- salaries, benefits, pensions, etc.

Short-term Goals (through September 30, 2009)

During the months of July, August, and September, the full Board will meet more frequently than once a month. By August 15, we will provide preliminary recommendations on the FY 2009-10 budget to include:

1. review of projections and estimates on revenues,
2. review of the City's General Financial Policies and use of Unrestricted Fund Balances,
3. review projections and estimates on expenditures,
4. review of proposed authorized staffing levels (FTEs), focusing on cuts through attrition, consolidations, reducing administrative overhead, and expanded supervisory span-of-control,
5. advise on service levels and priorities, and
6. highlight cross-cutting issues and requirements for further information and analysis for Commission consideration during its deliberations.

We note that we will not be able to make the in-depth analyses we would have wished under normal circumstances. Our Board was just reconstituted in late June and has to focus, if it is to be relevant by August 15. We may have minimal impacted on the details of departmental budgets and, thus, may have to concentrate on more "big-picture" issues for Commission consideration. We will provide preliminary issues by August 15, with more detailed recommendations on or before September 1 and September 15, as they become available.

The Board seeks approval to organize itself into sub-committees, such that we can explore the budget on a variety of fronts and also consider over-arching issues. These sub-committees will not meet until after the FY 2009-10 budget process is complete.

In our revenue review, we will:

1. examine income to determine methodology of calculation and reasonability;
2. examine potential tax or fee increases, based on prior increases and CPI trends; and
3. review the City's General Financial Policy and examine its impact on the Reserve Fund; in this, we will compare it to other cities of similar size, ascertain requirements for maintaining bond rating and recovery from disasters, and consider whether some portion of the reserve should be used to meet revenue shortfall or whether it would create an unsustainable base going forward that would require future deeper cuts.

Working on Longer-term Goals (After October 1, 2009)

We will advise on issues related to the long-term financial solvency of the City. We will commence discussions on a 5-year Financial Plan: revenue resource trends over the next 3 to 5 years; projections of fixed costs (i.e., debt service, pensions, insurance), and the impact on personnel costs, staffing levels, and service levels. Many economists forecast that economic activity will decline for the next few years before revenues stabilize; this means that action needs to be taken immediately to create a sustainable budget (with current revenues equaling current expenditures) for the long-term stability.

Assuming Commission authorization of sub-committees, the Board will create sub-committees and will be prepared to make more detailed and timely recommendations on operational efficiencies and be more fully involved in the FY 2010-11 budget process. We will explore cross-cutting issues and actual performance against the budget during the year. We take stock of "lessons learned" during this year's budget process and offer suggestions to improve it.

Among the cross-cutting concerns that the Board foresees the city staff addressing during the year, may possibly include:

1. explore inter-local agreements for potential consolidation of similar services;
2. consolidate departments with similar missions and reduce administrative overhead;
3. explore outsource opportunities, if services are not strategically tied to the core mission of city;
4. question span of control and expand number of staff under supervisory staff;
5. reduce layers of management in departments to flatten the organization structure;
6. standards of performance for each position: response turn-around time, error rates, units of output per hour, and customer service performance standards;
7. standards of performance for supervisors, individually and collectively, as that managers are responsible for departmental standards and performance objectives, as well as the success of subordinates;
8. use of part-timers for peak periods to reduce overtime;
9. analyze reasons for overtime use, prioritize those uses, and reduce overtime accordingly;
10. use of technology to increase efficiency and desired output;
11. challenge capital equipment replacement schedules based on useful economic lifespan;
12. challenge all capital projects, as the changing economic environment makes plans obsolete.