

FINAL
BUDGET ADVISORY BOARD
REGULAR MEETING
City of Fort Lauderdale
6000 NW 21ST Avenue
Executive Airport Conference Room
Fort Lauderdale, Florida, 33301
August 13, 2009 - 6:00 p.m.

Board Member	Attendance	10/2008 through 9/2009	
		P	A
Alan Silva, Chair	P	5	0
Keith Cobb, Vice Chair [6:35]	P	4	1
Bud Bentley	P	5	0
Marc Dickerman	P	5	0
Desorae Giles-Smith	A	1	4
Sam Monroe	A	1	4
Fred Nesbitt	P	5	0
June Page	P	4	1
Anthony Timiraos	P	5	0
Ray Williams	P	4	1

City Staff

Shonda Singleton-Taylor, Acting Director, Office of Management & Budget
Michael Kinneer, Director, Finance Department
John Herbst, City Auditor [6:30]
Lynda Flynn, Treasurer
George Gretsas, City Manager
Diana Alarcon, Director of Parking and Fleet Services
Darlene Pfeiffer, Financial Administrator
Stacey Balkaran, Financial Management Analyst – Budget Office
J. Opperee, Recording Secretary, Prototype, Inc.

Communications To City Commission

None

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 6:04 p.m.

Chair Silva welcomed City Manager George Gretsas to the meeting.

2. Communication to the City Commission

None

3. Action Items

- Continued review of the Budget Questions (Request for Additional Information for the August 6 and 13 meetings).

Fleet Reduction

Ms. Diana Alarcon, Director of Parking and Fleet Services, explained that auction proceeds went toward the General Fund because 90% of items sold at auction were from the General Fund. Chair Silva thought the money was returned to the Parking Fund, and as a result, this fund would be reduced and the parking rental would go up. Ms. Alarcon stated the money went to the Vehicle Rental Fund, not the Parking Fund. If a department desired an increase or an improvement, applying the money to the Vehicle Rental Fund gave them the flexibility to purchase a more expensive vehicle. This option would be reduced now that the money was returned to the General Fund.

Ms. Alarcon confirmed for Mr. Bentley that the money recovered at auction would not fund replacement of the vehicles, so they were reducing the fleet. In the future, if a department wanted to make an improvement or addition to their fleet, the department would need to budget it.

Chair Silva asked if the \$900,000 proceeds from the sale of vehicle assets was a recurring amount. Ms. Alarcon explained that this was a budgeted number that fluctuated from year to year. Now that they were extending the life of vehicles, she felt they would see less return on investment from auction items. She did not anticipate this would change dramatically next year.

Ms. Alarcon stated auctions were held as needed; this year they would hold five.

Chair Silva asked if the \$2.6 million transfer for purchasing new vehicles would increase or decrease next year. Ms. Alarcon stated because they were not replacing the

vehicles as often as they used to, they had reduced the transfer this year. She anticipated the amount would be the same or less next year.

Mr. Nesbitt asked if the City had a goal to replace vehicles with hybrid or other alternative fuel vehicles. Ms. Alarcon stated they had purchased hybrid vehicles, and hoped to replace two bucket trucks with hybrids. They were investigating grants to help defer the costs.

Chair Silva asked if the City had a "buy American" or "buy local" policy. Mr. Alarcon said in the past, they had purchased through the Florida Sheriff's contract that was bid out every year, but at the City Commission's direction, they been bidding them out over the past three months instead. The vehicles were typically American, with the exception of the purchase of the Toyota Prius hybrids.

Mr. Dickerman asked if it would be possible to give preference to Broward County or Fort Lauderdale dealerships. Ms. Alarcon said the procurement ordinance did not allow this; they must purchase from the lowest bidder. Mr. Gretsas believed there was some flexibility there and certain commissioners had indicated an interest in examining this. He stated the spirit of this was to prefer to give business to local vendors, but "how much somebody would be willing to overpay for that becomes a policy question."

Reserve Analysis

Mr. Kineer provided the Board with a reserve analysis indicating the designated fund balance. He stated the undesignated portion was \$62 million, and the designated portion was \$6.168 million. Mr. Kineer explained the designated portion was required by either statute or by ordinance. Chair Silva asked about the GERS pension amount. Ms. Singleton-Taylor said last year, this was \$7.1 million and was not on this report because it had just been put into the reserves this year. Mr. Kineer stated that amount would be included as a designated fund. Ms. Singleton-Taylor estimated that the beginning fund balance for next year would be \$58 million. This was before taking \$10 million out of reserves.

Chair Silva remembered the City Commission discussing a \$2.9 million commitment for transportation next year, and he asked where this money would come from. Mr. Gretsas explained that when the DDA Commission had made the request for \$10 million, there was discussion by the previous Commission regarding how this commitment would be allocated. They were performing an analysis now for how to best allocate this commitment, including cash, land, and in-kind contributions. Mr. Gretsas said his first option would be something that would minimize their cash contribution the

first year. He was unsure how soon the cash would be needed because the DDA still had a lot of work to do before going forward.

Chair Silva added that if the light rail project went through a CRA, they may be able to use some CRA funds. Mr. Gretsas said they must be very careful of this in regard to the County. They must also be careful in determining how much of the light rail boundary was actually within the CRA, and how they could legally utilize CRA funds.

[Mr. Herbst arrived at the meeting at 6:30]

Ms. Singleton-Taylor explained to Mr. Bentley that the \$6.168 million designated funds were not included in the \$48 million balance listed in the budget. She stated this was not reported as part of the fund balance because it was not spendable money. Chair Silva wanted to know if the fund balance they were discussing was all unrestricted. Ms. Singleton-Taylor stated they anticipated in fiscal year 2010, the spendable fund balance would be \$48 million.

Chair Silva asked if staff foresaw any additional claims or earmarks on the reserve fund currently. He remembered the previous City Commission had restricted funds for GERS Pension Liability. Mr. Gretsas stated they could not discuss this because they were still negotiating with the unions.

Stimulus Funds

Chair Silva asked if the stimulus money they had received for the Police Department would be earmarked as part of the reserve or if this would be against operating expenses. Mr. Gretsas said they would not be earmarked toward the reserve. The initial information they had received indicated that the grant money was good for the first three years. They were currently investigating what they could do with other positions in that budget, such as, if other vacancies came through over the year, could they choose not to fill those. If the intent was to keep the positions, they would become recurring expenses.

Recommendations to Include in the Board's Report to the Commission

The Board described to Mr. Gretsas the motions they had passed at their previous meetings regarding recommendations they intended to include in their report to the Commission.

Mr. Gretsas remarked that it would be very helpful if the Board could help to manage community expectations over the next year. The Commission had provided staff with a

list of goals for the coming year, all of which would improve the City. Mr. Gretsas said the problem became how to pay for all of these items and what was sustainable.

Mr. Gretsas reminded the Board that over the past few years, the City had increased the fund balance through good revenues and restraint in spending. Last year, they had utilized \$10 million to convert the general employees pensions from a pension system to a defined contribution plan. Over time, this would save the City over \$100 million. They had used \$15 million to fund some capital improvements.

This year, Mr. Gretsas said they were considering using the fund for budget stabilization. In order to maintain the no layoffs policy, they must use \$10 million in reserves this year. Mr. Gretsas applauded the City Commission's no layoff policy in light of high unemployment and noted that this was the most conservative approach to this problem. Mr. Gretsas explained the philosophy for the budget was to meet the Commission's expectations this year and to be as conservative as possible with the fund balance. If they wanted to sustain this without fee and/or tax increases, they must start thinking about managing expectations, an area in which he felt the Board's participation would be crucial.

Mr. Williams referred to the Board's list of 12 information request items, and noted that nothing in any of these areas had been included in the budget. He wanted to work closely with staff toward investigating and perhaps implementing some of these items so they would not need to spend the \$10 million from the reserves. Mr. Bentley asked if next year Mr. Gretsas would still be under the same constraints the Commission had set. Mr. Herbst said during the year, this would not be an issue because once taxes and fees were set, they were set. Mr. Gretsas explained that the City had a pattern of saving money throughout the year and underspending the budget. He gave the Board his commitment that his objective over the year would be to save.

Mr. Gretsas wished the Board to approve the current budget and agree to work with staff over the year to tackle the major policy issues. He believed the Commission appointed the Board to "be the think tank, the people that would have the courage to say some things that might not necessarily be politically correct, but over time can change and reduce the cost of government." Mr. Williams stated it was possible to "reinvent how you do business and not cut your services."

Mr. Gretsas stated 60% of the budget was for Police and Fire services, and some people believed this meant that this portion of the budget was off the table. Mr. Williams said every city in Broward County had the same problem as Fort Lauderdale and some had turned to the Sheriff's Office for help. He suggested investigating inter-governmental agreements to share service capability, which would not "save the

patrolman on the street, but some of the hierarchy doesn't have to get bigger to expand your service levels."

Mr. Gretsas said he was willing and eager to work on any of the big ticket items with the Board as long as he had their commitment to look at things intelligently and not get into the politics, which so often occurred.

Chair Silva said while formulating this budget, the Commission had stated a desire for zero-based budgeting, but would not permit laying off any employees. The Board was concerned that if they engaged in true zero-based budgeting, this must have an impact on personnel. Mr. Gretsas reminded the Board that this had been a caveat for this year's budget; next year's budget might have different caveats.

Mr. Cobb asked if it would be possible to set long-term FTE targets by department or division, which would allow attrition to take care of reducing the positions instead of layoffs. Mr. Gretsas said this made sense to him, but this must be arrived at by consensus to determine reasonable staffing levels. In the case of Police and Fire, there were national regulations for minimum staffing requirements. Mr. Gretsas noted this process must start at the front end, with levels of service and expectation in the community. Mr. Gretsas pointed out that government was a social institution; it did not operate like a business because "the deciders are a bunch of people that have agendas larger than just the bottom line."

Mr. Herbst said one of the primary advantages the Board had was to advocate some of these ideas. He said the problem was how to manage people's level of expectation, and Board could play an important role in moderating this discussion. Mr. Dickerman suggested one approach might be to ask not what people wanted, but what they could do without. Mr. Herbst advised this was the best time to make changes because of the current financial crisis.

Mr. Gretsas informed the Board that the first budget workshop would take place on September 2 at 7:00 p.m. He stated a budget workshop operated like a conference meeting, and the Commission typically opened it up to the public for comments. Mr. Nesbitt concluded that the Board should therefore present their report to the Commission prior to the first budget workshop. Mr. Gretsas advised that the Board's presence at the meeting would be helpful as well.

Mr. Herbst had provided the Board with a review of the Fiscal Year 2010 General Fund Major Revenues and invited their questions. Mr. Herbst said they had reviewed all major revenue sources in the General Fund budget and the revenue projections were in

line with their current year actuals, and they were all projected within a reasonable amount.

Motion made by Mr. Cobb, seconded by Ms. Page, to accept the auditor's revenue projections, acknowledging that there was a variance of \$500,000 in miscellaneous income. In a voice vote, motion passed unanimously.

Ms. Page had distributed a list of suggestions for improving efficiency and reducing costs. The first item on her list was the suggestion that the City institute a quality assurance system. This would require department managers to state criteria for a program to exist and measurements for outcome. This was especially important in departments that received grants. Ms. Page explained the recent problem in the Community Development Department that resulted in HUD's taking back \$2.5 million in grant money because there had been no outcome measurements for program success. Ms. Page felt instituting a quality assurance program was very important and would cost little, if anything. This could be used to identify programs that were not effective.

Ms. Page's second recommendation was to perform cost analysis on all City programs. In the long term, these actions would help the City run better, improve operations and cut costs.

Chair Silva suggested these activities be integrated into the zero-based budgeting approach next year. Mr. Williams said this was especially important when grants were involved to protect the City. Regarding the grant programs, Chair Silva acknowledged that longitudinal studies were needed to track beneficiaries, but he was not sure this was needed or possible for the City programs. Mr. Gretsas advised the Board to set out the broad goals and staff would consider the best way to implement their suggestions.

Mr. Gretsas remarked that in the poorer areas of the City, some programs might seem to be losing money. Mr. Nesbitt noted that in this case, there was often an intangible benefit to the City.

Mr. Herbst agreed there was tremendous value in Ms. Page's suggestions, but cautioned that this was a multi-year process. In the first year, he felt they would only be able to explore the concept. Mr. Herbst stated the challenge was that government was based on fund accounting, not cost accounting, which none of their systems was geared toward. This was a very long-range planning item because it might require replacing their accounting system.

Motion made by Ms. Page, seconded by Mr. Williams, to recommend the City Commission adopt a policy that wherever practical, in future years, the City establish a quality assurance program for City programs, including specific goals and measurable objectives. In a voice vote, motion passed unanimously.

Mr. Cobb suggested that when preparing their report, it should indicate which of the Board's recommendations were applicable to the current year, and which were applicable to future operations.

Motion made by Mr. Bentley, seconded by Ms. Page, to recommend that the City Commission adopt a policy for future years that a cost of service analysis be completed for all City programs, which would include a benefit statement. In a voice vote, motion passed unanimously.

Ms. Page felt the Board should develop stakeholder priorities in order to better focus City government on the most important issues for the citizens, which could ultimately lead to reordering the citizens' priorities. She wanted to find a way to measure this and present it to the Commission. Mr. Cobb felt this was a noble goal, but was unsure the Board could ever have enough solid evidence on which to base a reasonable judgment. Mr. Williams believed if the Commission felt this necessary, they should appoint a group of people whose primary strength was the ability to do this.

Mr. Nesbitt believed it was important for the Board to hear from the community, and suggested Board members attend their commissioners' pre-agenda meetings where these priorities could be discussed. This would also be an opportunity to "sell" the budget, and the idea that they must prioritize and receive input from citizens.

Mr. Dickerman noted the City had a good website that could be utilized for a priorities survey.

Mr. Timiraos felt the Board had so much work to do in the next 12 months that they would not have time for community outreach for at least a year.

Mr. Herbst read from the GFOA's recommended budget practices, which stated; "A government should develop mechanisms to identify stakeholder concerns" and "disseminate goals and review with stakeholders." He felt the Budget Advisory Board could be the venue for this. Someone must inform the citizens that they could not have it all, and it would not be the commissioners, who needed votes.

Mr. Gretsas recommended the Board spend the first year figuring out what made sense before taking it to the public arena. The Board agreed to table Ms. Page's stakeholder priority development suggestion.

Regarding Ms. Page's suggestion that the millage rate be raised, she proposed they use the rollback rate to keep taxes flat for taxpayers. Mr. Nesbitt agreed with this idea, but did not want it included in the Board's report because he felt the suggestions was "politically dead on arrival" and he feared it would lead to the report being branded as a tax increase and dismissed.

Ms. Page's last suggestion was to eliminate as many of the 128 unfunded positions as possible. Mr. Nesbitt reminded the Board that Mr. Mason had warned that if the position was eliminated, it could take months to recreate the position if the City determined it was needed. Mr. Gretsas said in some case, keeping the positions provided the ability to obtain grant money. He stated the Commission had been very clear that there was a hiring freeze and staff had made a commitment to the Commission that unfilled positions would not be filled. Vacant positions that arose would only be filled if they were deemed vital.

Mr. Nesbitt distributed a list of suggestions he had created for discussion.

Mr. Nesbitt's first suggestion was to pursue intergovernmental service agreements with surrounding governments to share services to provide greater efficiency and benefit the City of Fort Lauderdale.

Motion made by Mr. Bentley, seconded by Mr. Nesbitt, to recommend that the City pursue intergovernmental service agreements with surrounding governments to share services to provide greater efficiency and benefit the City of Fort Lauderdale. In a voice vote, motion passed unanimously.

Mr. Nesbitt's second suggestion was to institute an Employees Saving Our City [ESOC] program, whereby employees would recommend cost-saving proposals. Mr. Gretsas believed there was an ordinance, but he did not know the details, so he suggested this item be deferred. Mr. Herbst said this was a recommendation coming out of the Human Resource Department audit. They were recommending that the City revisit the reward/incentive program.

Motion made by Mr. Bentley, seconded by Mr. Dickerman, to table this suggestion to the Board's next meeting. In a roll call vote, Motion passed 6 – 2 with Mr. Nesbitt and Chair Silva opposed.

Mr. Nesbitt's third suggestion was to review service fees on a fixed schedule and adjust them based upon actual costs and inflation. Mr. Nesbitt agreed to allow the timeframe to remain flexible to determine an appropriate review schedule, and recommended the Board include a review of the fee structure in their agenda for the next year.

Motion made by Mr. Nesbitt, seconded by Mr. Bentley, to recommend the City adjust service fees on a fixed schedule, and any increase in the fees should be based on actual costs and inflation. In a voice vote, motion passed unanimously.

Mr. Nesbitt's fourth suggestion was to begin converting the fleet to Green vehicles that utilized sources of energy other than fossil fuels, such as electric, propane gas, or natural gas or at least more fuel-efficient vehicles. Mr. Gretsas suggested this be recommended where it was possible. He informed the Board that the City already had a Green Committee and a Green policy. He noted the biggest issue was cost, since Green vehicles were more expensive. Mr. Williams felt a more efficient fleet was an acceptable suggestion, but specifically recommending Green vehicles was outside the Board's purview. Mr. Herbst pointed out that Green vehicles were not cost effective unless gas costs increased significantly. Mr. Nesbitt withdrew this suggestion.

Mr. Nesbitt's fifth suggestion was that each department head should be required to separate the programs under his/her control into categories to determine if they could be eliminated, downsized or contracted out to save money. Mr. Nesbitt was not aware of any programs that had been eliminated from the current budget based on zero-based budgeting. Most of the cost savings had resulted from the hiring freeze.

Mr. Dickerman asked that this be removed because he felt they must give zero-based budgeting an opportunity to process through and it would take most of the coming year for the process to exhibit benefits.

Mr. Nesbitt stated in his discussions with four commissioners, they agreed that zero-based budgeting had not worked and something must be done. Mr. Bentley noted that the caveats the commissioners had set conflicted with zero-based budgeting. He wanted to schedule a meeting with the budget staff in October to discuss what system they would use next year and to provide some input. Mr. Williams wanted to recommend that the City Commission direct staff to begin to explore how to implement zero-based budgeting and to use input from the Budget Advisory Board.

Chair Silva had some additional suggestions the Board would discuss at their next meeting, one of which concerned zero-based budgeting. He thought it might be necessary to hire a consultant to train employees regarding zero-based budgeting.

Mr. Gretsas asked the Board to recommend adoption of the budget to the City Commission. The Board agreed to make this a priority at their next meeting.

Mr. Williams asked that the 12 cross-cutting concerns listed in the Board's scope and goals document be put forward for consideration by City staff, in consultation with the Board through the year.

4. Questions/Concerns

5. Adjournment

With no further business to come before the Board, the meeting was adjourned at **8:35** p.m.

Next meeting: August 25, 2009

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