

FINAL
BUDGET ADVISORY BOARD
REGULAR MEETING
City of Fort Lauderdale
100 North Andrews Avenue
1st Floor Commission Chambers
Fort Lauderdale, Florida, 33301
January 26, 2010 - 6:00 p.m.

Board Member	Attendance	10/2009 through 9/2010	
		P	A
Keith Cobb, Chair	P	3	0
June Page, Vice Chair	P	3	0
Bud Bentley	P	3	0
Marc Dickerman	P	2	1
Sam Monroe	P	2	1
Fred Nesbitt	P	3	0
Alan Silva	P	3	0
Anthony Timiraos	P	3	0
Ray Williams	A	1	2

City Staff

Shonda Singleton-Taylor, Acting Director, Office of Management & Budget
Norm Mason, Staff Liaison, Assistant Budget Director
Fort Lauderdale Commissioner Charlotte Rodstrom
Fort Lauderdale City Manager George Gretsas
John Herbst, City auditor
Lynda Flynn, Interim Finance Director

Communications to the City Commission

By unanimous voice vote, the Board approved a plan to review four departments on a program-by-program basis according to the following schedule:

- March: Police Department
- April: Fire Rescue Department
- May: Public Works Department
- June: Parks and Recreation Department

The departmental program review meetings would be held twice a month in the eighth floor conference room of City Hall (pending room availability). Relevant City staff were requested to make presentations to the Board.

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 Cobb called the meeting of the Budget Advisory Board to order at 6:05 p.m.

2. Review Meeting Minutes [December 16, 2009]

The Board noted corrections to the December minutes.

Motion made by Mr. Dickerman, seconded by Ms. Page, to approve the Board's December 16, 2009 minutes as amended. In a voice vote, motion passed unanimously.

3. Topic of Discussion: Zero-Based budgeting strategies and methodologies for FY2010/2011.

- Representative from the state government to discuss zero-based budgeting

[No representative had attended the meeting]

- Speaker: Ron Gunzburger, General Counsel, Broward County Property Appraiser's Office (available to answer questions regarding property taxes)

Mr. Nesbitt asked Mr. Gunzburger if they had any estimate of what the assessed value would be; he had read an estimate that there would be a 32% decrease in the median value of property in Fort Lauderdale. Mr. Gunzburger stated all of the needed information had not been collected yet, but he estimated a 20% drop in market value. He noted that this did not indicate that the tax roll would be reduced by this amount. He explained the impact that Save our Homes would have on property values, and noted that Fort Lauderdale had a greater share of Save Our Homes homesteads. This would help to offset the drop in the tax roll.

Mr. Dickerman asked if the Property Appraiser planned fraud investigations in Fort Lauderdale. Mr. Gunzburger thought they had swept Fort Lauderdale a few years ago, and agreed to check on this.

Mr. Bentley thanked the Appraiser's office for updating the assessment rolls, updating the computer system and Save Our Homes enforcement. He asked if there had been a parallel impact to the commercial properties. Mr. Gunzburger explained that the 10% cap that applied to commercial properties would be of little significance this year because he did not see increases in the value of commercial properties exceeding 10% this year.

Mr. Gunzburger said the State Legislature had shifted the Presumption of Correctness Statute so that the burden a homeowner must overcome to get a reduction had been lowered, making it easier for a property owner to challenge an assessment and prevail. He pointed out that a reduction of a commercial property was usually greater than a residential property when the owner prevailed.

Mr. Silva asked if the Appraiser was seeing decreases in commercial values, due to vacancy rates, which could result in shifting the burden to the residential owners. Mr. Gunzburger said they were witnessing similar drops in commercial and residential properties.

Mr. Gunzburger estimated they would have a clearer picture of assessed values approximately one month before the State deadlines, in April or May. He noted that the commercial properties took significantly more analysis, and so this took longer to perform than residential analyses. He explained the process used to value residential properties to Mr. Bentley. Mr. Gunzburger said they believed they were at the bottom of the residential market right now. He stated there was one "fear factor" that still existed. This was the "potential third wave of foreclosures" from homeowners who could afford to make their payments, but whose properties had significantly lost value, and the owners decided they would rather ruin their credit than waste money paying for value the property did not have. Some of these owners were working with their lenders to restructure loan principal to avoid foreclosure.

Mr. Gunzburger explained that historically, the Florida real estate market was never stable in the long term. He said after crashes, they always eventually recovered the full value, but this could take from a few to twenty years.

Mr. Silva thought that because of "bargain basement" prices, homeowners who purchased now would be locked into fairly low values that would only increase marginally for the next few years, so the projected revenues would not be like that had been from 2004 to 2007. Mr. Gunzburger agreed, and said this would also affect properties that were not homesteaded, because he did not foresee double-digit growth in the next few years.

Mr. Timiraos asked if there had been an increase in the delinquency rate in paying taxes. Mr. Gunzburger explained that taxes were paid, either by property owners or by tax certificates.

Mr. Gunzburger informed Mr. Nesbitt that he felt for the next few years, the property tax projection would be flat, or would show very nominal growth. He added that they would not see another “heyday” because the entire County was basically built out.

Mr. Gunzburger explained the Hometown Democracy ballot item that required voter approval for zoning density increases, and he felt the voters would not vote to increase densities.

Mr. Dickerman announced that Commissioner Charlotte Rodstrom was present.

4. Communication to the City Commission

[This item was taken out of order]

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5. Other Issues and Questions

Chair Cobb noted that per the Board’s previous discussions, they had concluded that the City was not equipped to implement a zero-based budgeting concept in the current year, and they thought the Commission should adopt some processes that were not pure zero-based budgeting. Mr. Bentley had drafted policies for consideration.

Chair Cobb wanted to review the following documents, and invited the City Manager to comment: the resolution the Board had drafted at their previous meeting that had been based on the County process and asked departments to suggest 10, 20 and 30% cuts, and Mr. Bentley’s draft of budget policies.

Mr. George Gretsas, City Manager, said he was willing to give the Board unprecedented access to the four largest City departments to become educated about “what exactly do we spend money on in this City?” He felt they must discuss what items were important before deciding where cuts should be made. Mr. Gretsas said they could examine each department with staff, program by program, starting in March. By June, he felt staff would have clear direction from the City Commission regarding what type of budget they would be preparing.

Mr. Gretsas believed that the Board’s input would help the Commission to understand where the Board and the community wanted to be with the City government.

Ms. Page had spoken with several municipalities that had Budget Advisory Boards, and had been told by the Chief Financial Officers or Budget Managers that the Board should learn the City departments. She felt this process was very important to complete prior to making recommendations.

Mr. Gretsas said this could be done at the Board’s meetings.

Mr. Nesbitt asked about the presentations, and Mr. Gretsas explained that the departments would create a list of every program the department had. Staff could provide a brief overview, and the Board could ask questions to determine whether they felt specific programs should be kept.

Mr. Nesbitt asked if programs were the same as budget activities, and Mr. Gretsas explained that in the past, multiple items had been combined into a single budget line item. The presentation he planned would separate these back out into discrete items.

Mr. Cobb asked if they had the activity-based costing capability to get this information. Budget staff had informed Mr. Gretsas that they did not have fine detail across the board.

Mr. Cobb felt this was a good idea, but feared they would develop a long list of small items and “not really cut to the chase on the really significant issues that will, in fact, impact the budget.” Mr. Gretsas thought that once the Board had all of this information, they could discern which items they wanted to discuss to determine whether they were really needed.

Mr. Timiraos did not want the Board to engage in micro-management of the budget process; he thought it was staff’s responsibility to make suggestions regarding what could be done to cut the budget. Mr. Gretsas agreed the Board should not micro-manage the budget, but felt there were things about which staff needed direction from

the City Commission, and this was where the Board could provide input. He believed the Board would discover many items that were based on what communities wanted rather than City operations.

Ms. Page also wanted to know each department's organizational structure, and what the major cost centers were.

Mr. Silva thought this was a fantastic idea, and the Board's value would be in asking those questions Mr. Gretsas had in mind. Mr. Silva said the Board could ask if there was a way to perform a task that would be more affordable.

Mr. Nesbitt was unsure of what process they would be using to develop their recommendations. He thought the department heads must contribute their expertise, and referred to the suggestion to ask department heads to draft proposals for budget cuts of varying percentages. Mr. Gretsas explained that if they wanted to reinvent government, they must start from scratch, by looking in the mirror and figuring out "what have I become; what is it that I am right now, and what is it that I want to be." If they began with the premise of "let's take everything that we have and then just start shaving off and leave it to the bureaucracy to do that, a) I think you're going to end up with what the County ends up having, which is, you've got a whole lot of employees that are on a cut list... morale drops and the organization becomes dysfunctional and also special interest groups see their items on the list and start feeling threatened, and they start coming out and rallying and then the process becomes political."

Mr. Gretsas suggested asking two questions: "Can it be contracted out" and "Is that a good idea," which dealt with the policy issue and the technical feasibility. Staff could provide their reasons why they thought something was not a good idea. Mr. Gretsas felt this debate would be helpful to get both sides of the argument, and the rationale behind the arguments. He said some of these items were "the nickel and dime stuff" but some were "the sacred cows that nobody's ever wanted to discuss in the past." He added that the Board could look at the budget and not worry so much about "political pressure or public interest groups giving you feedback." He believed the Board was a reflection of the community.

Mr. John Herbst, City auditor, said he fully endorsed the suggestion made by Mr. Gretsas. He said staff was capable of accomplishing x, y and z with specified resources, but they were not in a position to determine whether a particular program was a valid one on which they should be working. Mr. Herbst understood the Board's reluctance to get involved in the minutia of the budget, but pointed out that the City Commission could not do this, and it was not appropriate for staff to decide what the right policy and programs were. Mr. Herbst thought the Board had the opportunity to

“decide whether we should be in the business of marine patrols, horse patrols, bombs squads, line dancing or what have you.” Mr. Herbst remarked on the difficulty of stopping government programs once they were created, and said, “There’s a vested interest internally, in staff that administers programs, and externally in the people that benefit from the programs that we administer, so it’s very hard to kill anything around here.”

Chair Cobb wondered if the Board would be looking at enough items to be able to make a significant difference. Mr. Gretsas was concerned about determining if the will existed “to significantly change the service delivery of this organization.” He wanted discussion on such politically and emotionally charged issues as minimum staffing requirements in the Fire services to determine why this existed and what it cost. After discussion, they could decide to move in a new direction, or agree that for the most part, they were doing things well, and must find a way to address any potential funding gap.

Mr. Silva thought they needed to have some idea of what the “big picture” increases would be regarding expenses and whether they would retain the property tax levy. Mr. Gretsas stated, “You’re falling into the same trap...you want to know how much money we have to spend so we can figure out how we’re going to spend it. I thought the idea was, let’s figure out what we want to be first and then we’ll figure out how much that is and then we’ll figure out where we get the money – that’s the zero-based budgeting.”

Mr. Nesbitt said it was critical that the Board be provided information prior to the departments’ presentations. Mr. Gretsas planned to provide this, and stated if the Board felt they needed additional time to analyze the information, the department would meet with the Board again.

Mr. Bentley had created a policy draft pursuant to the resolution Chair Cobb had summarized at their previous meeting. He had met briefly with budget staff and the City Manager and discussed process. Mr. Bentley questioned who should determine what reductions they should be seeking, and had concluded this should be the City Manager’s responsibility based on information he had regarding revenue and expenditures.

Mr. Bentley said the Board should make a philosophical decision about having a budget process that was “transparent and open and involves a lot of people” because this was not the process the City was used to.

Mr. Bentley’s policy draft included the provision that taxes would not be raised if the Commission adopted it; if possible, taxes would be reduced. It also stated the City

needed to manage revenues and expenditures; it put a high priority on managing revenues, especially user fees that could shift over time to government subsidies.

Mr. Bentley's policy also dealt with net General Fund support because this was the number that translated to the taxpayers. The policy sought to keep managers and decision makers aware of where funding for programs ultimately came from and required the Commission and City Manager to formalize how funding was managed throughout the year.

Mr. Bentley's policy also discussed displacement of City employees. He remarked that many of the City's employees were unionized, and all of these contracts set forth a process when a position was eliminated. Mr. Bentley said employees appreciated when organizations provided employees a "soft landing" by moving displaced employees to other positions. He said his policy recognized that over time, the City could not rely on eliminating vacancies.

Mr. Silva was unsure if Mr. Bentley's policy would encourage filling a vacant position or waiting until they knew whether or not there would be a reduction force that would require filling. Mr. Bentley read from his document, which indicated that the City would hold vacant positions. City management should determine which positions should be or could be held.

Mr. Herbst said the City Manager had made a significant effort to eliminate funded vacancies, which would eliminate many of the positions that had provided the "soft landings" Mr. Bentley had discussed. Mr. Bentley acknowledged that as finances became more difficult, this option would decrease.

Mr. Silva wanted to include that the Fire Assessment was a user fee, because historically, it had not been considered one.

Mr. Gretsas wished to begin discussing the process because he felt the policy discussion would box them into a corner. He suggested waiting until after they had heard from one or two departments. Mr. Gretsas recommended hearing from the departments in this order:

- March - Police
- April - Fire
- May - Public Works
- June - Recreation and Parks

Mr. Dickerman remembered the Mayor's indicating at their workshop that "everything is up on the table," the five budget priorities from 2009-2010 would not be continued to the 2010 – 2011 budget.

The Board agreed that they did not need to adopt Mr. Bentley's document at this meeting. Mr. Bentley said his document involved policies established by the Commission, and the process they would begin with the City Manager was entirely different, because it entailed examining expenditures by program.

Mr. Gretsas saw the policy document as "marching orders" that might be difficult to amend in response to the Board's analysis of departments and programs once the Commission adopted it. He recommended waiting a month or so before adopting the policy document. Mr. Silva did not want to delay providing this document to the Commission because he wanted them to use it to provide guidance.

Board members agreed to submit recommended edits in writing prior to the Board's next meeting with the understanding that they would adopt a set of recommendations for the City Commission then.

Mr. Nesbitt felt they were looking at a program/performance based budget process. Mr. Gretsas thought the process the document described tended toward micro-management.

Chair Cobb believed the Board had determined that true zero-based budgeting would not happen this year. Mr. Nesbitt agreed, and said the Board should instead make recommendations for how budgeting could be done in the City. Chair Cobb explained to Mr. Gretsas that the City did not have the activity-based costing system that true zero-based budgeting required. Mr. Gretsas asked the Board to be mindful of how specific their language was to avoid confusion later on.

If the Board determined they wanted to implement zero-based budgeting next year, they must get someone on board who could create the proper framework. Mr. Gretsas agreed the Board must decide if they wanted to use zero-based budgeting, and if so, they must define zero-based budgeting. He believed there was still debate about what zero-based budgeting was, and this must be sorted out to be sure the process was undertaken properly.

The Board agreed they would return next month with modifications to both documents so both could be approved.

Motion made by Mr. Nesbitt, seconded by Mr. Dickerman, to schedule the Chair of the Miami Beach Budget Advisory Board to speak at their next meeting. In a voice vote, Board unanimously approved.

Motion made by Mr. Dickerman, seconded by Mr. Bentley, to draft a resolution that the Budget Advisory Board encourages full participation in Census 2010 by all residents because future budget planning would be based on some monies the City received based on the census. In a voice vote, Board unanimously approved.

With no further business to come before the Board, the meeting was adjourned at **7:59** p.m.

Next meeting: February 17, 2010

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