

FINAL
BUDGET ADVISORY BOARD
REGULAR MEETING
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Fort Lauderdale, Florida, 33301
March 17, 2010 - 6:00 p.m.

Board Member	Attendance	10/2009 through 9/2010	
		P	A
Keith Cobb, Chair	P	5	0
June Page, Vice Chair	P	5	0
Bud Bentley	A	4	1
Marc Dickerman	A	3	2
Nadine Hankerson [6:12]	P	1	0
Sam Monroe	A	3	2
Fred Nesbitt	P	5	0
Alan Silva	P	5	0
Anthony Timiraos	P	4	1
Ray Williams	A	1	4

City Staff

Norm Mason, Staff Liaison, Assistant Budget Director
George Gretsas, City Manager [until 6:46]
John Herbst, City auditor
Shonda Singleton-Taylor, Acting Director, Office of Management & Budget
Lynda Flynn, Treasurer
Ted Lawson, Assistant City Manager
J. Opperlee, ProtoType Services

Guests

Dennis Ulmer
Michael Ramos
Ray Dettmen
Richard Mancuso
Fort Lauderdale Commissioner Charlotte Rodstrom [until 7:08]

Communications to the 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 Cobb called the meeting of the Budget Advisory Board to order at 6:03 p.m.

2. Review Meeting Minutes of February 17, 2010

Motion made by Mr. Nesbitt, seconded by Mr. Williams, to approve the minutes of the Board's February 17, 2010 meeting as presented. In a voice vote, Board unanimously approved.

3. Discuss current year budget status

Chair Cobb had asked Mr. Mason and Ms. Singleton-Taylor to provide an update on the budget.

Mr. Mason said as of the end of February, they had received 53% of the revenue budget; as of this time last year they had received 52%, so they were on schedule with the revenue recognition.

Mr. Nesbitt asked if there were any revenues or expenditures that were running much higher or lower than anticipated that would have an impact on the budget. Mr. Flynn stated on non-departmental revenues, there were significant variances regarding interest income. The schedule she had set up was at least 1%, but the rates for the first quarter were .51, a significant decrease. There was a lag in payment of property taxes, which would entail an increase in fess and late charges that would not come in until March. Revenues were a bit different than Ms. Flynn had expected as well. The difference in the interest income would be short \$1.5 million.

Ms. Flynn was investigating ideas to present to the Commission to offset the loss, one of which was having more of the finances handled by the investment managers. She would propose an increase of \$100 million in the portfolio for a total of \$200 million managed money, which should bring in an additional \$500,000 investment income for the year. Other than that, there were no major fluctuations in revenues.

Ms. Nadine Hankerson, new Board members, arrived at 6:12.

Ms. Singleton-Taylor reminded Mr. Silva that the amount listed in fines and forfeitures anticipated red light camera income. She informed the Board that this estimate had not changed and the cameras had been approved by the City Commission.

Mr. Silva asked why 100% of Fire and Police pensions had not gone out. Mr. Nesbitt said there had been a discrepancy regarding what the City owed that they were still working on it.

Regarding health insurance, Ms. Flynn stated they had passed the following changes: rates had increased, co-pays had increased, and a new company was handling prescription drugs. Mr. Mason said the City costs would remain the same and the employees would pay more.

4. Discuss/recommend reserve fund policy

Ms. Flynn stated the undesignated fund balance was \$73 million. The prior year encumbrances were \$5.5 million. Advances to other funds were \$3.362 million. Funds designated to special programs were \$3.383 million. The total fund balance was \$85.4 million. Mr. Herbst reminded the Board that they had committed to spend \$10 million down, so that brought the balance to \$63 million. Ms. Singleton-Taylor said the total general fund budget was \$327.5 million. Chair Cobb stated the fund balance represented approximately 19% of this year's budget.

Mr. Silva asked if other things should be included in the reserve, such as setting funds away as a dedicated reserve for a major capital outlay. He noted they had been "talking forever" about a new Police Station that would cost \$80 - \$100 million and perhaps a portion of the reserve should be set aside for such a project.

Mr. Nesbitt reminded the Board that the Mayor had specifically requested the Board set a target maximum for the reserve fund. He said the auditor had mentioned earlier this year that the reserve fund had been too high, which indicated the taxpayers had been overtaxed.

Mr. Silva said this additional dedicated reserve could be used to build up sufficient funds to eventually pay the un-funded liability and effect pension reform.

Mr. Herbst said current policy was to keep 7% in reserves. The Board should consider if this number was satisfactory. He agreed with Mr. Silva's recommendation to utilize over-funded reserve for significant one-time costs. Some municipalities also used a budget stabilization reserve for revenues that did not materialize or expenses that exceeded estimates.

Mr. Williams suggested a reserve range of 10 - 20%, with the difference being a revenue stabilization amount. This would provide the Commission and the City some flexibility. Chair Cobb agreed with this principal, but narrowing the range to 10 – 15% or 15 – 20%.

Motion made by Mr. Williams, seconded by Mr. Nesbitt, to recommend the reserve fund to be 10 – 15% of the budget, with the 5% differential representing budget stabilization reserve.

Mr. Nesbitt wondered what this recommendation would say to the Commissioners, with the reserve standing at 19%. Ms. Page said the Board must be careful what it recommended. Mr. Herbst stated it was appropriate to use excess reserves for operating expenses if, for example, one anticipated that the economy was flattening and they planned to draw down reserves over the next couple of years in anticipation that the economy would stabilize by 2012. They could also choose to set aside assets for an anticipated one-time expenditure. Chair Cobb noted that adoption of this policy would free up approximately \$14 million.

Mr. Silva said the Board should also make recommendations for use of the surplus reserves.

In a voice vote, Board unanimously **approved** the motion.

5. Discuss supervisory levels

Chair Cobb wanted to discuss how the Board could assess this issue and create recommendations. Mr. Nesbitt referred to the Board's recommendations already made to the City Commission, wherein they had recommended "an independent, across-the-board study of the level of supervisory personnel at all levels, for all departments, measuring the ratio of supervisory to operating personnel in each area." Mr. Herbst had sent the Board an article indicating a municipality had done exactly this, with very positive results. He said this type of study had been done in the City in the past, in better economic times, and the result had been a recommendation that they needed "more chiefs." He said in his experience, a consultant was likely to conclude that "whatever you're doing is wrong, so if you have too much, you need less; if you don't have enough, you need more. If you're centralized, you need to de-centralize; if you're de-centralized, you need to centralize."

Chair Cobb had attended the Broward Workshop meeting, and had the results of their study. He remarked that some of the results were "staggering." Mr. Herbst said the primary finding of the workshop was that there were many overlapping functionalities in

Broward. He reported that Jacksonville was a consolidated city/county government, and the city/county millage was the lowest in the State because they did not duplicate services.

Chair Cobb wanted to insist the City perform this type of study.

6. Review status of 2009/10 recommendations submitted to Commission

Ms. Singleton-Taylor referred to Item 3 of the Board's Budget Policies recommendations: Net General Fund Support (NGFS), Increases in NGFS. She said this policy indicated they must go back to the City Commission for approval. Ms. Flynn explained that only 29.4% of General Fund revenue was from departmental activity, and some of this was uncontrolled and came in erratically. Ms. Singleton-Taylor stated due to the way the revenue stream flowed into the City, the policy recommended by the Board would not work.

Chair Cobb said the philosophy behind this policy was if revenues fell, spending must be cut back, but he understood the practical implications. The Commission was deferring any action on this policy until after their April 6 meeting and they would discuss it with the Commission then.

Mr. Herbst explained that there were different types of revenue streams: one was fee-funded activity, such as building permit revenue that had a direct correlation with the number of building inspectors. There was other revenue that had no such direct correlation, such as fine revenue that might be assigned to the Police Department.

Mr. Gretsas left the meeting at 6:46.

The Board moved on to other agenda items for 30 minutes.

The Board returned to this discussion at 7:15.

Mr. Nesbitt referred again to the Board's recommendations for future years' budget, the first of which was to dispose of all surplus City-owned property. Mr. Herbst had informed them this was being addressed, and the money from General Fund-related properties would go the General Fund, money from public works properties would go back into the water and sewer fund or the storm water fund. They had excluded CRA properties, CDGB properties and Airport properties. Mr. Herbst said \$47 million was a very rough estimate. He stated the property disposition committee had been advised to

look at this, but he could not report this was being done because it was outside his purview. Chair Cobb asked that this committee make a report to the Board.

Motion made by Mr. Williams, seconded by Mr. Silva, to request the City Manager to have the appropriate staff committee provide a report to the Board regarding the status of the sale of identified surplus properties. In a voice vote, Board unanimously approved.

Chair Cobb wanted to address the Board's recommendation that the City "establish a headcount reduction target, to be achieved through attrition and hiring freezes." Mr. Williams said the current economic environment was not what they had built their revenue and expense budgets around up until two or three years ago. He said in private industry, "everybody is taking cuts in salary, they're cutting staffs, they're becoming more efficient, they're re-engineering and creating a new economic model. There are very, very few exceptions to that." He asked the Board to "appreciate that reality and place that kind of a burden on the City."

Mr. Williams said there was "a substantially less expensive way to supply and provide all the services that we now provide to our citizens than we are currently undertaking." He felt it was the Board's responsibility to "not pussyfoot around that idea and that reality" and they needed to "become much more definitive and much more aggressive...in challenging the City to re-engineer how we provide necessary services to our citizens."

Chair Cobb referred to a presentation at the workshop from Keith Keonig, president of City Furniture, during which he explained that they had reduced their employee headcount from 1,400 to 850 in the past 18 months. Mr. Koenig had indicated that business was running as well as ever. Chair Cobb stated, "Everybody is doing that except us."

Mr. Williams referred to the Broward Workshop report, which indicated that Weston's cost per capita FTE was \$534, the lowest in the County. The high was \$2,179 in Lauderdale-By-The-Sea. Fort Lauderdale was \$1,222. Ms. Page agreed with what Mr. Williams was saying, but pointed out that Weston was a "prosperous, little town" so it was not a good comparison. Fort Lauderdale had "parts of our population that we really need to serve." Mr. Williams said Plantation's cost was \$500 less. Mr. Nesbitt said this was not a fair comparison because there were too many variables: "First of all, Plantation doesn't have an ocean, secondly, they don't have 10 million visitors a year, third, they don't have 25, 30-story buildings they have to protect, they don't have an Intracoastal they have to guard, they don't have drug people coming up on our shores."

Mr. Williams said the report was adjusted for the permanent population and seasonal population. He believed the size of the City should provide economies of scale. Chair Cobb said of the 31 cities, 23 had smaller cost per capita than Fort Lauderdale.

Mr. Nesbitt said they should have specific recommendations for the Commission rather than saying, "We've got to reinvent government, be more efficient." Mr. Williams said the Board must "have the courage to send back instructions that are thinking outside the box..." According to the study, Mr. Williams said "the government employee today, doing the same job as non-government employees...in some cases was double, if not more than double." He agreed that the people doing the jobs knew better than the Board did, but thought the Board could "push the system" to say they must look at these things and hold someone accountable for making reasonable recommendations.

Chair Cobb did not believe the City had been challenged to reduce the head count in recent years. Ms. Page asked if the vacant positions were still being funded. Ms. Singleton-Taylor stated they had reduced over 60 vacancies in the 09-10 budget.

Ms. Hankerson thought the Board was making "what is less expensive efficient." She wanted to be clear about what they were defining as efficiency. If they were spending more and were inefficient, that was a problem. She asked if they really knew that the FTEs were efficient in the services they were providing. Ms. Hankerson said, "Less expensive cannot be equivalent to efficiency, nor can it be equivalent to sustainability." She wanted to define those terms, so that "the lower-wealth people that are a part of this community don't get left out as a part of the greater good." Ms. Hankerson felt they were using words "pretty loosely, but we need to be clear about how we equate the efficiency. We're looking for efficiency because we want all people to be served in our City, and so in doing that, we need to make our Commission define what our efficiency is, what it does and what it truly costs us to do that."

Ms. Page had been struck by the fact that Fort Lauderdale's crime rate was very high and they had a larger number of Police officers compared to other cities. She was interested for the Police to tell them "how those numbers work." Mr. Williams felt it was important for the Police Department to see this report before they gave their presentation to the Board.

Chair Cobb read from the workshop report, which indicated Fort Lauderdale had 276 officers per 100,000 residents; the average for Broward County was 218; the average for Florida was 125; the average for the United States was 152. Mr. Nesbitt remarked that crime statistics over the last ten years had decreased. Ms. Page said something was wrong, "we don't have more crime than D.C."

Mr. Nesbitt returned to the Board's recommendations on which the Commission had not followed up. Mr. Silva said they had determined there was surplus in the reserve. He recommended a consultant be hired to work with staff to create a report such as the Broward County study that would be Fort-Lauderdale specific and would give chapter and verse, talk in terms of efficiencies, define what the deficiencies were, etc., so the Board was able to deal with the same definitions and numbers.

Mr. Nesbitt said efficiency could not be the sole criterion. He said, "In the private sector, something's not efficient, what do they do? They bail out; they don't do it." He noted that problems such as the homeless, mentally ill and truants were left to government to address because "nobody in the private sector is going to do that kind of work because they can't make a profit. How do you compare Police and Fire to the private sector; what do you compare them to?" He stated there was a purpose for government.

Chair Cobb believed the report indicated the City's expenses were out of line. He thought a consultant would take two years to address this, but the City Manager "could get some of it done in three months if he set his mind to it and had the motivation."

Mr. Williams thought they could become a single-city/County government and realize immense efficiency savings. Mr. Nesbitt remembered that Board suggesting inter-governmental service agreements. Mr. Herbst agreed there were opportunities to consolidate with other cities. The challenge was to ask departments to engage in their own downsizing. Chair Cobb agreed it was difficult but it could be done, and related that he had come to Alamo Rent a Car in 1995 and laid off 500 people in the first six months. Mr. Herbst agreed it was possible, but commented that this was usually done with new management, and generally, it was best to involve a third party who had no investment in the status quo.

Chair Cobb felt if the Commission took a position that they wanted to reduce the headcount by 4% and instructed the City Manager to get it done within 60 days, that it would be done, but the Commission must take that position and push that decision.

Mr. Herbst reminded the Board that 80% of City staff was covered by a collective bargaining agreement. If they reduced 4% of the staff, collective bargaining would determine who was let go, based on last in – first out. He did not believe this would result in the efficiencies they were seeking. Mr. Herbst stated it must be done that way, "otherwise, you have violated the collective bargaining agreement, and you will be sued and you will lose." Chair Cobb said he had a solution for that: "you outsource that department." Mr. Herbst stated this was not possible either because of collective bargaining. He advised the Board to speak with the City Attorney's Office before considering this. Mr. Herbst stated, "It's the ground rules under which we operate and

your role is to find creative solutions within the ground rules, not to throw the ground rules out.” Ms. Page observed that other cities operated less expensively; they just had to determine how to do it. They had already recommended utilizing attrition and not funding vacant positions. She suggested sending that recommendation back to the City Commission.

Motion made by Ms. Page, seconded by Mr. Williams, to send the recommendation regarding headcount back to the City Commission. In a voice vote, Board unanimously approved.

Motion made by Mr. Williams, seconded by Ms. Page, to request an opinion from the legal staff regarding the City’s ability to outsource various activities, and to determine the constraints within the collective bargain agreements. (Later in the meeting) In a voice vote, Board unanimously approved.

Mr. Herbst said this would be important because the Board could not make a recommendation to outsource an activity if the City would likely lose a lawsuit.

Mr. Nesbitt said the Board had also suggested instituting a quality assurance program and a cost of service analysis, and adjusting service fees on a fixed schedule and any increase in the fees should be based on actual costs and inflation.

Motion made by Ms. Page, seconded by Mr. Timiraos, to resend the Board’s recommendations to the City Commission. (Later in the meeting) In a voice vote, Board unanimously approved.

7. Guidelines for March 31st meeting with the Police Department

[This item was discussed out of order]

Mr. Williams suggested the presentation focus on where the Department felt they could be more efficient and effective, and to delineate their priorities. Mr. Gretsas reminded the Board that based on their previous discussions, the departments had been instructed to provide an overview of their programs; if the Board felt there were areas that warranted closer attention, they could discuss this.

Mr. Nesbitt suggested allowing the Police Department 90 minutes to make an uninterrupted presentation and then each Board member would be given 5 minutes to ask questions, make comments and hear responses from the Police Department.

Ms. Singleton-Taylor said they planned to send Board members the material the Police Department would present by 3/26.

Mr. Timiraos did not believe the department heads would need 90 minutes. Mr. Gretsas said the departments should be provided sufficient time to make their presentations; he would make the departments available to the Board for further discussion.

Mr. Williams wanted the departments to begin to think of better, more efficient ways to do things because they would do a better job of this than the Board could. Mr. Gretsas said he agreed, but felt that the political environment for Police and Fire was such that they had never re-engineered their departments because there was “a culture and there’s a way of doing business and there’s a certain amount of political clout that they have to resist the kind of change that you’re looking for” and he was hoping to “reverse it a little bit with these two departments and say, you see areas where you think there will be political support for change? My guess is, that is more likely to drive the change that you’re looking for than to ask the department heads to come back and re-invent themselves because the truth is, in South Florida, they’re not very good at re-inventing themselves in Police and Fire. That’s the political reality, and I think you know that.” Mr. Williams said, “To force it down, absolutely, but they can re-invent themselves from within.”

The Board agreed to provide the Police Department up to 90 minutes for their presentation. He wanted the City Manager to advise them that the Board was interested in change opportunities and in knowing what the department’s priorities were and this should be included in their presentation. Mr. Gretsas agreed to this.

Mr. Silva anticipated one question that would come up was, “How will you see the streamlining of your supervisory personnel?” He was also interested in span of control and the ratio of supervisors to personnel. Mr. Gretsas reiterated that the Board could ask questions as desired, for as long as they wanted.

Ms. Hankerson wanted to be clear about the desired outcome: was the Board saying there must be cuts, and where should they be made? Regarding the Fire Department, Mr. Gretsas said they had minimum staffing levels that were woven throughout their budget, so they should have a conversation about the minimum staffing levels: where they had come from and why they existed and did the Board want to explore this as an area for potential savings.

Mr. Williams asked Mr. Gretsas to provide the Police Department leadership with the report: “Government Spending by Cities in Broward County: Opportunities for Cutting

Costs and Saving Tax Dollars” from the Broward Workshop. He noted they had done a very good job of comparing costs.

8. Old Business

Meeting with City Commission on April 6

The Board discussed dates and times to meet with the City Commission.

Chair Cobb suggested the Board begin the workshop with their prior budget and policy recommendations and the recommendations they had agreed upon this evening. They could then ask what action would be taken. Ms. Page suggested asking the Commission about their priorities.

Mr. Nesbitt had spoken with one of the commissioners who expressed surprise that the Board had not recommended they seek an outside professional to help put together the budget. Mr. Nesbitt reminded the Board that this was an unusual budget year because Mr. Gretsas would leave at the end of July. Mr. Herbst confirmed that the budget was the City Manager’s job, per the City Charter.

Mr. Silva felt the Board’s recommendations had gone “into a vacuum” and the City Manager or staff should present the Board with an action plan to implement their recommendations.

9. New Business

None.

10. Communication to the Commission

None

With no further business to come before the Board, the meeting was adjourned at **8:07** p.m.

Next meeting: March 31, 2010

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