

FINAL
BUDGET ADVISORY BOARD
SPECIAL MEETING
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Fort Lauderdale, Florida, 33301
August 4, 2010 - 6:00 p.m.

<u>Board Member</u>	<u>Attendance</u>
Keith Cobb, Chair	P
June Page, Vice Chair	P
Bud Bentley [6:10]	P
Marc Dickerman	P
Nadine Hankerson	A
Fred Nesbitt	P
Alan Silva	P
Anthony Timiraos	P
Ray Williams	P

City Staff

Norm Mason, Staff Liaison, Assistant Budget Director
Shonda Singleton-Taylor, Acting Director, Office of Management & Budget
John Herbst, City Auditor
Lynda Flynn, Interim Director of Finance
J. Opperlee, ProtoType Inc.

Communications to the City Commission

By unanimous consensus, the Board agreed that that in the opinion of the Budget Advisory Board, the recommended fiscal year 2011 budget was unsustainable as it relied on one-time money from the Reserves to fund ongoing expenses

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 6:02 p.m.

2. Review of Meeting Minutes from July 21, 2010

Motion made by Mr. Williams, seconded by Mr. Dickerman, to approve the minutes of the Board's July 21, 2010 meeting. In a voice vote, motion passed unanimously.

3. Review of Proposed FY 2010/2011 Budget Recommendations

Mr. Nesbitt stated their recommendations were due by August 15. The Board had another meeting scheduled for August 18 and he hoped they could get the recommendations to the City Commissions prior to their first budget meeting on September 6.

Mr. Nesbitt wanted the Budget Advisory Board to approve and recommend adoption of the 2010-2011 Budget as presented by the City Manager, assuming the Board's final recommendations were adopted. He recommended they deliver their recommendations on paper and in person at the Commission's next conference meeting.

Chair Cobb wanted to re-present their recommendations to the City Commission following this meeting so the Commission would have a meeting to consider and react to the recommendations. Mr. Nesbitt stated the Commission must either accept or reject their recommendations.

Mr. Dickerman recalled that the previous year, the Board had voted to approve the budget, and this was part of their charge.

Mr. Williams remarked that many of their recommendations were not tools to help the Commission balance the current budget or reduce the Reserve balance needed. He said they should present items that would impact the 2010-2011 budget directly. Other items should be presented for the Commission to vote on to include in the management process to be implemented over the course of the next year. Mr. Williams referred to the document titled "Observations and Recommendations Relative to the Proposed FY 2010/2011 Budget and said he wanted to enhance #4 regarding the Fund Balance to state that the maximum used would be \$10 million and to include "either a direct estimate in the Budget for the 911 costs or a contingency fund established."

Mr. Williams also wanted to add a fifth recommendation that would be "very specific ideas that could be implemented, approved and directed by the City Commission that

would have direct impact on the budget this year.” These could include, “All administrative area budgets not to exceed ‘09/’10 estimated actual...Set specific staff reduction percentages per department...Establish a number of furlough days.”

Mr. Timiraos thought they should be realistic about the fact that any recommendations they made now would probably not be adopted. He suggested a brief proposal would have the most potential impact, and wanted to stick to their original recommendations.

[Mr. Bentley arrived at 6:10]

Mr. Williams said he had met with Vice Mayor Rogers, he had asked what would be most helpful and Vice Mayor Rogers had agreed that setting specific recommendations regarding the Reserve would be most likely to force people to “go back and do something to cut expenses.” Vice Mayor Rogers had also invited the Board’s input on the 911 system issue.

Mr. Williams said the single most important thing the Board could do was to ensure the Commission immediately approved a process for hiring a new City Manager and that it was in a way that ensured they found the best possible person for that job. This would have the most impact on the financial and budget affairs of the City.

The Board reviewed the document Summary of Previous Recommendations. Regarding #1 Department Consolidation, Mr. Nesbitt recalled the Commission had directed the City Manager to consider hiring a consultant to look into department structure and consolidation, but nothing had ever happened. He suggested an alternative to a consultant, such as a Blue Ribbon Committee, to make recommendations.

Mr. Silva suggested recommending that the Commission establish a timeline and assigning specific staff to achieve the desired outcome for their recommendations. Chair Cobb recommended including this in the cover memo.

Regarding #5, General Fund Budget Policies, Chair Cobb said this had been discussed at the previous meeting, and Mr. Mason had said he was “laboring under the assumption” that there would be no layoffs, but Chair Cobb was unsure Mr. Mason had ever heard anyone say that, or if this had been formally adopted.

Mr. Bentley suggested changing the column currently titled “Status” to “Commission Action/Policy Decision” and leaving most of them blank. Mr. Williams said the cover memo should include suggestions for how these items should be managed going forward. Mr. Bentley wanted the cover memo to express the need for the Commission

to evaluate the recommendations and respond to them with a “yes, no, maybe.” Chair Cobb’s preference was to offer the Commission suggestions for how to implement the recommendations. Mr. Williams suggested titling the column “Commission/City Manager Action Status as of August 4.”

Regarding #6 Fund Balance, Mr. Nesbitt said the Commission had agreed to maintain the Reserves at 10 to 15% of the General Fund. Mr. Herbst confirmed this.

Regarding #11 Pension Costs, Mr. Nesbitt said the City had made changes in the Police and Fire pension plan. Mr. Silva said the change had not reduced costs; it had slowed the rate of growth. Mr. Herbst said a study had indicated the changes would result in a reduction in un-funded liability.

Regarding #16 Service Fees, Mr. Mason confirmed that some fees had been adjusted and incorporated into the budget.

Regarding #9 Salary and Wage Levels, Ms. Page said the Board had recommended restricting salary and wage increases, but Police and Fire had already received salary and wage increases and the General Employee Union was currently negotiating. Ms. Page suggested the Commission should be asked to differentiate between action and policy adoption.

Mr. Herbst explained that salary increases were of two types: Cost Of Living Adjustments [COLAs] and merit increases. He advised the Board to be specific when referring to salaries.

Mr. Silva asked about a cost allocation study related to the fees. Mr. Herbst said Mr. Mason had performed a cost allocation study to determine the costs of fee-funded activities. The Commission’s direction had been to perform the study only on activities that had cost recovery associated with them. Ms. Singleton-Taylor said this was stated in the City Commission Budget Policies 1.3. Chair Cobb said this was not in compliance with recommendation #16 Service Fees, which stated the City should adopt a policy of adjusting service fees on a fixed schedule, with any increase in fees based on actual costs and inflation.

Motion made by Mr. Williams, seconded by Mr. Nesbitt, to adopt the recommendations as amended. In a voice vote, motion passed unanimously.

The Board reviewed the document Chair Cobb had created titled Observations and Recommendations Relative to the Proposed 2010/2011 Budget. Regarding item #1 Budget Strategy, Chair Cobb remarked that the Board believed the budget did not

accomplish the goal to “strategically shrink the size of the City government.” Mr. Bentley suggested including growth statistics and operating expenditures. Mr. Herbst asked the Board to be specific regarding “shrinking the size of government and to indicate if this referred to head count and/or costs. Ms. Singleton-Taylor said what she meant by “strategically shrink the size of government” referred to FTE count. She noted that eliminating the FTE count would remove costs from the budget.

Chair Cobb suggested adding a second line to the second paragraph of item #1 “Budgeted FTEs were reduced 1.8% and total expenditures for all funds increased 1.7% and that is not strategically reducing the size of the City budget.”

Regarding item #2 Budget Process, Chair Cobb said the Board had challenged whether the departments had any push-back from the City Manager or the City Commission regarding their budgets. Mr. Mason said he “100%” disagreed with the statement that there had been no push-back. He said they had eliminated 175 positions in the last three years. Ms. Singleton-Taylor said department heads had been charged with looking at their structure and FTE and deciding how many people they needed for their operation. If there was a vacant position and the department head was able to live without that position with a minimal service impact, the department recommended that the position be eliminated. Chair Cobb said if they wanted to reduce the budget, “you can’t ask the departments what they want; you have to go back and push and tell them what we can afford.” Chair Cobb said the Police Department budget had grown from \$ 96 million to \$101 million. Ms. Singleton-Taylor explained there were non-discretionary increases in the Police budget.

Mr. Nesbitt suggested editing the first sentence in item #2 to read, “The Budget Advisory Board questions the rigor of the budget process.” Chair Cobb agreed to make this change.

Mr. Bentley suggested they skip item #2 at this time. He said this would not be addressed. Chair Cobb said if he were a City Commissioner, he would want to know that the budget process had not been rigorous and had not set the objective of reducing the budget.

Motion made by Mr. Nesbitt, seconded by Ms. Page, to adopt item #2 with the amendment he proposed. By consensus, the Board agreed.

Regarding item #3 Setting a Tone, Mr. Bentley felt a position may have been purposely left open for a longer period of time in order to generate savings and when the position was filled, the department was being criticized for the savings they had been able to generate in this year’s budget instead of budget-to-budget. Chair Cobb noted he had

combined five departments in order to “water down some of those anomalies” and it was still an 8.2% increase. He said this recommendation was appropriate because if they failed to make this observation, “the media or ...the unions” would. Mr. Herbst said they must be cautious about “how you incentivize behavior” and penalizing departments for saving money this year was “beating people up for doing good.” Chair Cobb said this spoke to the message that this increase sent to the balance of the organization.

Mr. Nesbitt suggested editing the first sentence to “... budgets for key leadership departments in the City *do not* set an appropriate example for austerity”, and then listing examples. Mr. Silva pointed out that only four of the department budgets had decreased; all others had increased. Mr. Herbst reminded the Board that most of the cost increases were driven by pensions and salary increases, over which they had no control. He believed they were unduly burdening the department with the responsibility for achieving reductions in cost without the authority to make those reductions in cost. Chair Cobb agreed to Mr. Nesbitt’s amendment.

Regarding item #4 Fund Balance, Mr. Williams wanted to add that the maximum amount to use from the Reserves was \$10 million and this should include the contingency for the 911 system. Mr. Mason stated it was not possible to accurately estimate the cost of the 911 system; no guidance had been provided. Mr. Williams wanted staff to create an estimate.

Mr. Mason said he had studied this, and he believed that the revenue from the red light cameras would more than cover the 911 system costs.

Mr. Nesbitt said the City had taken the Board’s advice to drop the Reserves to 10 – 15% of the General Fund budget.

Mr. Silva said they should consider a Restricted Reserve for items such as the 911 system, line costs for the Police Station and un-funded liabilities.

Chair Cobb stated the political rationale for this was that the taxpayers had been overtaxed in prior years and now the City was giving money back. Ms. Page said, “We’re not giving it back; this is not a way to give it back.” Mr. Silva said, “The problem is that next year, we’re going to have to have an increase in taxes in an election year because you’re doing this.”

Mr. Bentley distributed a chart depicting the Fund Balance Projection and said the balance would go back to zero in the next year or so.

Ms. Page asked Mr. Herbst if the Commission understood this issue. Mr. Herbst said the Commission had declared that the Reserves were at an inappropriately high level due to previous years of excess taxation and should be reduced, and he agreed. The question was how to reduce it. One way was to identify one-time expenditures such as fire trucks. Mr. Herbst said he did not object to using some of the reserves for budget stabilization, but he recommended this be done over a period of time during which the economic climate improved, which he felt was at least three years. Mr. Herbst was concerned that they were drawing down the bulk of the reserves in one shot. He could not say whether the City Commission understood this.

Mr. Mason stated there were many projects that must be done in the next five years that could consume the entire Reserve balance, including grant projects to which the City must contribute in order to secure the grants. Mr. Mason said it was impossible to shrink the size of government and pay for \$238 million worth of projects. They would have to raise taxes and/or cut staff. He reminded the Board that 96% of his department's budget was personnel costs and more than 80% of the entire City's costs were related to personnel.

Mr. Nesbitt suggested amending item #4, the last paragraph to indicate that "The Budget Advisory Board recommends that the 2010/2011 budget use no *more than \$10 million in* accumulated reserves, only to fund non-recurring expected expenditures..."

The Board agreed to recommend that no more that \$6 million be used from the Reserve Fund, and Mr. Nesbitt's language for the second paragraph in item #4.

Ms. Darlene Pfeiffer, resident, remarked that if the Board recommended cutting the Reserve Fund used by half, they should also state what services should be cut to make up the shortfall.

Mr. Williams suggested adding an item #5 stating specific savings ideas to consider. Mr. Williams referred to a memo in which he made the following suggestions:

- All administrative areas' budgets to not exceed 2009/2010 estimated year-end actual
- Set specific staff reduction percentages or numbers for each City department [not all departments need to be given the same percentage of reductions]
- Establish X number of furlough days for each department for the year.

Ms. Page stated she had been informed by two department heads and another senior person that the least productive time at the City was between Thanksgiving and Christmas, and she wondered why the City should be open except for essential services. She felt this was an opportunity for furlough days.

Mr. Silva said the Board had recommended last year that there be no cost of living increases, and they should re-emphasize this. Mr. Herbst reminded the Board that in the contract they were negotiating now, the City was proposing zero increases, but there were still merit increases. Mr. Mason said currently, 588 employees were eligible for merit increases for a total of \$922,202. Mr. Williams said the point was, "Somebody is going to have to suck it up and we have to figure out how to spend less money...maybe the City Manager says...I'm going to step up; I'm going to take a 25% salary decline this year."

Mr. Nesbitt said Mr. Williams' proposal was to inform all departments that their budgets for next year must be the same as for this year. If this included pay raises, the departments would need to find some other way to reduce costs. Mr. Herbst remarked that in the Office of Management and Budget, 98% of the budget was for payroll, and the department head would have no choice but to let an employee go.

Mr. Timiraos remarked that many of the previous recommendations forced the Commission to look at specifics, but he did not feel it was the Board's job to be specific; the department managers and City Manager would do a better job recommending how their budgets should be cut. Mr. Williams said in the past, the Board had made general recommendations but these had not been followed. Chair Cobb felt the 20 recommendations that they had already made – if they had been acted on – would have reduced the budget. Mr. Williams said these were ideas they could suggest to the City Manager for consideration.

Chair Cobb said he liked the idea of asking department heads to look not at budget-to-budget, but at estimated actual to budget. He stated, "If they didn't spend it, didn't need it, why do we add it on next year too?"

Mr. Williams withdrew his suggestion for an item #5.

Motion made by Mr. Bentley, seconded by Mr. Williams that the lead-in sentence in their cover letter should be that in the opinion of the Budget Advisory Board, the recommended fiscal year 2011 budget was unsustainable as it relied on one-time money from the Reserves to fund ongoing expenses. In voice vote, motion passed unanimously.

Mr. Herbst pointed out that there were \$7.9 million of capital expenditures in the budget, so almost \$8 million of the \$10 million of Reserves was not being used for operating expenses; it was being used appropriately.

Mr. Nesbitt suggested that each Board member convey the opinion of the Board to his/her appointing Commissioner and the Mayor. He also wanted to request a meeting with the City Commission to deliver their observations and recommendations. Chair Cobb said he would meet with Mayor Seiler the following Monday for lunch and he would ask him about a meeting. Chair Cobb noted that he would be out of town quite a bit for the next month or so.

Chair Cobb agreed to amend the recommendations the Board had discussed this evening and to submit these, with the cover letter including Mr. Bentley's motion, to the City Commission.

4. Questions and Answers

5. Communication to the Commission

By unanimous consensus, the Board agreed that Mr. Bentley's previous motion regarding the 2011 budget would be transmitted to the City Commission.

Other Items

The Board agreed they would meet again on August 18.

With no further business to come before the Board, the meeting was adjourned at 8:09 p.m.