

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
DECEMBER 10, 2010 - 8:00 A.M.

Board Member	Attendance	10/2010 through 9/2011 Cumulative Attendance	
		P	A
June Page, Chair	P	3	0
Anthony Timiraos, Vice Chair	P	2	1
AJ Cross	P	1	0
Gregory Dickinson	P	2	0
Ronald Goff	A	1	2
Nadine Hankerson [8:27]	P	1	2
Fred Nesbitt	P	3	0
Alan Silva	P	3	0
Mark Snead	P	3	0
Ray Williams	P	2	1

City Staff

Norm Mason, Staff Liaison, Assistant Budget Director
 Lynda Flynn, Interim Director of Finance
 Shonda Singleton-Taylor, Acting Director, Office of Management & Budget
 Allyson Love, Interim City Manager
 John Herbst, City Auditor
 Darlene Pfeiffer, Parking and Fleet Services
 Cate McCaffrey, Business Enterprise Director
 Dennis Stone, Employee Benefits Coordinator
 Lloyd Rhodes, Benefit Consultant
 Debbie Donato, FXE Financial Manager
 Clara Bennett, FXE Manager
 Leslie Carhart, FXE Special Projects Coordinator
 B. Hartmann, ProtoType Inc.

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 Page called the meeting of the Budget Advisory Board to order at 8:07 a.m.

Introduction of Board Members

[This item was discussed out of order]

Chair Page introduced new Board member A.J. Cross.

Mr. Cross stated he was VP of Operations for an entertainment business, and they also had a nightclub consulting firm. He operated nightclubs in Florida, New York City and Montreal.

Other Board members introduced themselves in turn.

2. Review of Meeting Minutes from November 2010

The Board noted a correction to the minutes.

Motion made by Mr. Silva, seconded by Mr. Nesbitt, to approve the minutes of the Board's November 2010 meeting as amended. In a voice vote, Board approved unanimously.

3. ADP Presentation

Mr. Herbst had met an ADP employee, who informed him that ADP had a government practice. This had prompted him to invite representatives to address the Budget Advisory Board regarding outsourcing.

Mr. Bill Morgan and Mr. John Joaquin from ADP gave a Power Point presentation, a copy of which is attached to these minutes for the public record.

Mr. Williams said one of the big issues with outsourcing was the social impact. He asked what help ADP offered for getting through those issues. Mr. Joaquin stated, "Outsourcing is not off-shoring" and all the work would be done in the United States. He said they did not find that organizations fired employees to justify costs. Mr. Joaquin

stated employees could be reassigned to higher-end tasks because ADP systems handled many difficult tasks. It would also allow the organization to do more with less. He said they did not find mass layoffs with their systems in the public sector.

Mr. Nesbitt asked where they would realize savings. Mr. Joaquin replied the savings would be in technology costs through the use of their platform, their automated time and attendance system, error reduction and dependent verification. Mr. Joaquin stated this system would allow the organization to reduce staff if desired.

Mr. Morgan agreed to find out what savings Miramar and Plantation had realized when they switched to an ADP system.

Mr. Silva believed there would be problems getting all departments that had different contracts to buy into a new system. He asked if ADP tailored the system to individual situations. Mr. Morgan said they delivered a flexible system that could be tailored to their needs. Mr. Joaquin said their systems were able to share data with other systems, and they had successfully integrated with existing systems.

Mr. Snead asked who ADP's biggest competition was in Florida. Mr. Morgan said there were several other service bureaus, but their differentiator was their ability to provide higher technology. Mr. Joaquin said Ceridian was a competitor.

Mr. Silva explained that the City would be moving to an activity-based cost analysis for budgeting, and asked how ADP's data could be integrated into this process. Mr. Morgan said they could use the payroll engine to create projections. Mr. Silva asked if the software could separate activities or programs to determine discrete labor costs. Mr. Joaquin said the system was very granular and hours could be assigned to budget numbers, contracts or grants. Mr. Herbst remarked that the City's current payroll system did not have the ability to spread costs like that; it would need to be done manually. He acknowledged that if the City wanted to obtain more accurate costs of services, it would be difficult with the systems they currently used.

4. Risk Management Presentation (Self-Insured Fund)

Mr. Dennis Stone, Employee Benefits Coordinator, and Mr. Lloyd Rhodes, Benefit Consultant, gave a presentation, a copy of which is attached to these minutes for the public record.

Ms. Flynn arrived at 9:15.

Mr. Dickinson asked if participants were advised of drugs available by mail order. Mr. Stone stated there was a program that supplied three months' worth of drugs for the

price of two months to encourage participation. Mr. Stone said they did not want to discourage participants from taking maintenance medications.

Mr. Dickinson asked how much prescription drugs were driving the cost increases. Mr. Lloyd said the injectable drugs were responsible for driving up the costs and they were ensuring that proper authorizations were in place to eliminate wastage.

Mr. Stone stated they would be dipping into the reserves in the next year. Ms. Flynn said when the deficit amount was first presented to her, the level of rate increases needed to keep the required reserves would have been “unbelievable” for the employees. She had asked Mr. Stone to re-run the figures to increase the rates half that original amount, and this was the result. They would continue to increase the rates incrementally. Ms. Flynn said they were hoping the catastrophic blip they had experienced was an anomaly; if it was not, they would need to readdress all this.

Mr. Stone agreed to email Board members a link to the video employees were shown as well as his spreadsheets.

Mr. Herbst said retirees were kept under the City’s medical insurance because this was required under State law.

5. Airport Presentation

Ms. Clara Bennett, Fort Lauderdale Executive Airport Manager, gave a Power Point presentation, a copy of which is attached to these minutes for the public record.

Mr. Williams asked if the Airport had ever considered if their support functions could be more cost effective if they were bid out to private entities. He asked if the services the City provided to the Airport were expense neutral. Mr. Herbst explained that the Airport was a City Department and part of the City’s accounting structure; it could not go outside the City.

Mr. Snead asked if the City owned the land and the buildings on the land. Ms. Bennett explained that it started as land lease only. After a certain period of time, or if a new lease or lease extension were negotiated, they converted to land plus improvements. Mr. Snead asked if the City must therefore have reserves to repair/replace the buildings. Ms. Bennett said the leases were structured so that the City did not participate in upkeep of the buildings.

Mr. Silva said the last monthly report indicated that the Airport was running a deficit and he did not know if this was due to the reporting method or if there was an actual deficit. He asked what could account for this difference. Ms. Bennett said traditionally, the

Airport had an operating budget that did not include their CIP contributions; this was done as a separate accounting mechanism. She stated now, the CIP was being included as an expense item in the operating budget, which could show a potential deficit. Ms. Singleton-Taylor explained this depended on the design of the financial report. She said the financial report reflected the budget, but not balances and reserves, so it could appear as a deficit when it was not.

Mr. Silva said because this was an enterprise fund, no surplus could go to the General Fund, but there was a way to maximize the General Fund payments, either through fully costing out services or through a payment in lieu of taxes. He asked if the Airport was assessed at full market value. Ms. Bennett said their current pilot payment was approximately \$800,000. This was provided by the Budget Office and was based on assessed value. She explained that most of the Airport properties paid ad valorem taxes. Ms. Bennett pointed out that the Airport's ad valorem plus pilot payments made it the biggest taxpayer in the City.

Mr. Snead said they could consider why a City Department such as the Airport could not contract out for services. Mr. Herbst said this was called managed competition and was worth consideration. Ms. Bennett said the Airport currently contracted out some security, maintenance and engineering work.

6. Old Business

- **Establish Monthly Meeting Dates**

[This item was discussed out of order]

Chair Page said they needed to establish a meeting date for January. Ms. Love advised Chair Page to consult with Ms. Joseph, the City Clerk, to coordinate this. Mr. Mason stated there was an opening in the morning on January 20 and the Board agreed to that date. Chair Page said their quarterly meeting with the City Commission would take place after the Board's January meeting.

- **Implementation Time Line**

Ms. Love said she had emailed a time line to Board members the previous day.

7. New Business

Mr. Mason said Human Resources would discuss salary levels at the Board's next meeting. Chair Page agreed to distribute information from Human Resources regarding Police and Fire salary comparisons to Board members.

Board members agreed to discuss the implementation timeline at their next meeting.

Mr. Nesbitt asked for an agenda item explaining forecasting models and variables. Mr. Herbst agreed to send information to Board members rather than a presentation. Mr. Nesbitt still wished someone to address the Board's questions.

Mr. Timiraos requested an update from Ms. Love at their next meeting regarding the status of the Five Year Plan they had discussed with the Commissioners.

Mr. Williams wanted the Board to have additional discussion regarding ADP. Chair Page stated they had hired ADP when she was at Bear Sterns and "basically got rid of our entire back office," which had been very good for the company. Mr. Cross asked if it was possible to get figures from cities that operated that way. Mr. Williams stated it was difficult to compare those numbers. Mr. Herbst suggested the Board decide if they conceptually supported this. If so, they could bring the idea to the City Commission. One of the first steps would be to have ADP conduct a free business case analysis.

Mr. Williams asked if the City Manager could undertake this without specific direction from the City Commission. He wished for the City Manager and staff to take initiative and become proactive.

Ms. Hankerson wanted more information about ADP's competitors they could also consider. She also wanted more information regarding the social impact of outsourcing.

Regarding the procurement process, Mr. Herbst stated there were multiple ways of deciding on providers. They could utilize bidding or piggy-backing on existing contracts.

Mr. Herbst stated depending on the policy perspective, they could approach this through strategic downsizing or "re-badging" which entailed privatizing certain activities and transferring City employees to the outsourced company's payroll. They could also take advantage of attrition and redeployment of transaction-based employees.

Mr. Herbst said the audit had exposed areas of risk in payroll due to the fact that many things were done manually. They also currently had virtually no disaster recovery ability.

In addition to payroll services, Mr. Silva thought ADP could provide an integrated HR system that would allow them to utilize transaction employees for a "higher and better purpose" from a strategic point of view. He said if ADP could link payroll to the budget system that was more activity-based, this would help solve many of their problems regarding determining program costs and passing on fees for services.

8. Communication to the City Commission

None

9. Adjournment

With no further business to come before the Board, the meeting was adjourned at 10:30 a.m.

Next meeting: January 20, 2010

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