

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JANUARY 20, 2011, 2010 – 8:00 A.M.

Board Member	Attendance	10/2010 through 9/2011	
		P	A
June Page, Chair	P	4	0
Anthony Timiraos, Vice Chair	P	3	1
A.J. Cross	P	2	0
Gregory Dickinson	A	2	1
Nadine Hankerson	P	2	2
Fred Nesbitt	P	4	0
Alan Silva	P	4	0
Mark Snead	P	4	0
Ray Williams	P	3	1

City Staff

Norm Mason, Staff Liaison, Assistant Budget Director
Shonda Singleton-Taylor, Deputy Director, Finance
Allyson Love, Interim City Manager
John Herbst, City Auditor
Averill Dorsett, Director of Human Resources
Jerry Crossley, Division Manager, Classification and Compensation
Bob Dunckel, Assistant City Attorney
B. Hartmann, ProtoType Inc.

Communications to the City Commission

Motion was made by Mr. Nesbitt, seconded by Mr. Snead:

The Budget Advisory Board (BAB) recommends the City Commission enact the fiscal year 2009-2010 pay increases that should have been given to the non-union employees.

The BAB also recommends the City Commission develop a plan to ensure that this type of inequity does not occur in the future and the associated expenses for the 2009-2010 costs be offset by a corresponding reduction in expenses.

In a voice vote, motion passed unanimously.

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 8:06 a.m.

2. Review of Meeting Minutes from December 2010

The Board noted corrections to the minutes.

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

3. Presentations

- **Calvin, Giordano, & Associates**

Mr. George Keller and Hector Perez from Calvin, Giordano and Associates gave a Power Point presentation, a copy of which is attached to these minutes for the public record.

Chair Page asked about the specific cost savings Mr. Keller had found in the Code Enforcement and Building Departments. Mr. Keller explained they would operate Code Enforcement as a fixed-fee contract and they would utilize specific software. Inspectors would spend 90% of their time in the field and the Department could operate with a third fewer officers and realize 30% cost savings. In the Building Department, a different model was used because the permit process provided revenue. Mr. Keller stated they operated off of the revenue flow so there would be no cost to the City. They were usually able to return 10% to the municipality for administrative and overhead costs. They also had their own building code software. Mr. Keller claimed that their compliance rate in Code Enforcement averaged 80%.

Mr. Keller said employees could work exclusively for one municipality or more than one. He explained to Mr. Timiraos that municipalities typically started outsourcing in Code Enforcement, Building Departments as well as some Planning and Zoning and field

maintenance, depending on the municipality's needs. It was also possible to start as a pilot or supplemental program.

Mr. Cross asked about savings that could be realized by using their software alone. Mr. Perez stated Miami had implemented their code compliance software and saved over \$500,000 the first year. Their compliance numbers had also improved.

Mr. Silva asked about Fire inspections and Police and Fire administrative functions. Mr. Keller stated he had personal experience with Police and Fire administration but Calvin, Giordano and Associates did not directly do this themselves, they worked with Police and Fire in some jurisdictions.

Chair Page asked about the social aspects of outsourcing. Mr. Keller acknowledged that outsourcing raised questions about what happened to people and their jobs. In Pembroke Pine, the City had laid off all Building Department employees. When Calvin, Giordano and Associates came in, all of the people they hired had been former city employees. He said they always gave the first option to existing employees.

Mr. Williams asked Mr. Keller about the ideal management structure: "who's left at the City and how do they make sure that the level and quality of service is at least as good as it is now..." Mr. Keller said this varied from place to place, but if elected officials and the city managers were open and supportive, this was a big first step. He stated one of the most successful combinations was "the local government maintains their own department head as their own traditional, in-house employee and then all the other employees beyond that are open for contracting positions or other contracted services."

Mr. Cross asked if the pay scale of contracted staff would match the previous salaries. Mr. Keller said this varied widely; they often tried to match salaries, but it could decrease or increase, depending on market conditions.

Mr. Silva asked if Mr. Keller could provide recommendations on headcount and reorganization. Mr. Keller stated they could create a model and provide guidance and recommendations for what would be needed in terms of resources.

Ms. Hankerson asked how they handled complaints from customers. Mr. Keller stated when they provided services, they handled complaints and resolved issues just as an in-house department would.

Mr. Williams asked about service standards and how Calvin, Giordano and Associates' performance compared. Mr. Keller used Code Compliance as an example, and stated if a city desire a specific improvement in case resolution, they would commit to it in the

contract and report on their progress. Regarding building permits, Mr. Keller stated they could turn around an application within 10 calendar days for residential and 15 days for commercial.

Mr. Keller stated their goal in Code Enforcement and Buildings Departments was to reduce the typical complaints and make the service friendly, faster and less expensive for the municipality. He explained to Mr. Nesbitt that they had to make revenue to stay in business, but in some jurisdictions they were currently not able to make money because the revenue base was so low. Mr. Keller said they typically had very low turnover. When the economy improved, he anticipated some increase in turnover.

Mr. Timiraos asked if Mr. Keller had ever experience a case when outsourcing proved more expensive than in-house costs. Mr. Keller could not think of a case where outsourcing proved more expensive, but if circumstances meant that the situation would not be a good fit and they could not provide the same service well or better for less money, they knew this beforehand and would inform the client and not pursue it.

- **Human Resources**

Ms. Averill Dorsett, Director of Human Resources, explained that the Public Employees Relations Commission covered employees of public agencies that could form a union to collectively bargain. There was an exemption for managerial and confidential employees that comprised the PERC Exempt employees. In Fort Lauderdale, this included approximately 250 employees. Ms. Dorsett stated by ordinance, employees other than four charter officers had specific salary ranges. Ms. Dorsett said among managerial employees, 70% of these were already maxed out in salary. Among confidential employees, approximately 76% were maxed out.

Mr. Williams asked about salaries ranges and Ms. Dorsett said they had over 500 different job classifications and they did not perform a salary survey for all jobs every year; this was usually done for collective bargaining. Mr. Jerry Crossley, Division Manager, Classification and Compensation, explained that when he began with the City 21 years ago, the City Commission had adopted an informal practice to be at the 75th percentile compared to the market. In 1992 when the City experienced budget difficulties, they had amended this to the 60th percentile. They had not performed a comprehensive study of PERC Exempt employees for 10 years, but in the last study, the consultant had looked at the marketplace and approximated it to the 60th percentile. There was additional survey data indicating the average for these employees was the 48th percentile. Mr. Crossley said most people maxed out in their pay range in these positions in approximately seven years.

Chair Page asked if historically these employees received raises similar to those in the two unionized groups. Mr. Crossley explained that this group used to comprise 400 employees but in 2005 a group of these employees had unionized and subsequently received a three-year contract with 5% per year raises in return for closing down the pension plan for new hires. The non-union group had not received the 5% raise last year.

Mr. Cross asked if the PERC Exempt employees had any means to obtain additional income other than appealing to the City Commission. Chair Page wondered why any of these employees would stay on once the market improved. Mr. Crossley said if the group were given the 5% raise, it would cost the City approximately \$1 million. Ms. Dorsett noted that this had originally been budgeted but it had not been approved by the City Commission.

Mr. Crossley stated the 50 confidential employees had comparable positions in the unionized employees sector and originally made somewhat more because they could not unionize, but the wage gap had shrunk over time. The other 200 employees were making less than comparable union employees.

Building Department Director Valerie Bohlander stated 10 to 15 people in her department were included in the PERC Exempt category and the morale was "tough" and there was an equity issue. She said the managers in her department had received raises in October 2009. She said in some cases, people were supervising employees who made more money than they did. Mr. Crossley stated confidential managers had received their last raise in October 2008.

Ms. Love confirmed that there was nothing in the budget to provide raises for the 250 PERC Exempt employees in the current fiscal year.

Mr. John Leroy Busey stated he was an Administrative Assistant II, and six of 12 people in his group were PERC Exempt and six were represented by collective bargaining. Six had received raises and six had not. He said he supervised an employee who made more than he did. He requested the Board's help to urge the City Commission to pass an ordinance change to address this inequity.

Mr. Silva said the Board should recommend that the City Commission establish a policy that comparability studies should be performed more often than every 10 years. Once this was done, the City should consider actual cost of living. PERC Exempt employees should be paid a comparable amount to non-exempt employees, taking into consideration whether there were other requirements or responsibilities. Mr. Silva also wanted to suggest where these funds should come from, and he suggested current

revenues, which meant they might need to cut the number of people or expenses. Chair Page said they could recommend outsourcing.

Mr. Snead agreed the Board should recommend some remedy to prevent this from happening again, but they should also recommend the City Commission correct the inequity that had occurred in the 2009 budget.

Mr. Crossley stated the 5% raise for the PERC Exempt employees had been presented to the City Commission in April 2010. The Commission had deferred the item and it was never taken up again.

4. Board Discussion

5. Communication to the City Commission

PERC Exempt Employees

Mr. Timiraos suggested a communication to request that the City Commission instruct the Acting City Manager to review compensation inequities in existence among exempt non-union employees and establish policies that prevent future inequities among all City employees.

Mr. Silva said the City Commission could decide to fix it once and from now they would grant the same cost of living increase that was granted to the unions, but this would not be the same as conducting a comparability study.

Mr. Silva asked if the salaries of non-union employees could be set retroactive to before the beginning of the prior fiscal year. Mr. Dunckel said there were arguments on both sides and if it were done, it could be approached from the perspective that it had been budgeted in 2009-2010 and they were making up what should have been done back then.

At 9:37 Ms. Love left the meeting.

Mr. Nesbitt suggested the Board recommend that the City Commission enact 2009 pay increase that should have been given to exempt non-union employees and that the Commission develop a policy to ensure that this inequity did not occur in the future.

The Board discussed the budget impact of making the pay increase retroactive. Mr. Williams suggested also recommending that the Commission must find a way to make this budget neutral.

Ms. Hankerson did not want the burden to be on the PERC Exempt employees, and said the burden “should be based on how the Commission is looking at the ordinance and how the ordinance plays a part on the entire functioning of City management.”

Motion made by Mr. Nesbitt, seconded by Mr. Snead to recommend the City Commission enact the 2009 pay increases that should have been given to exempt non-union employees and that the City Commission develop a policy to ensure that this inequity does not occur in the future and that the expense for the 2009-2010 cost be offset by reductions in expenses. In a voice vote, Board unanimously approved.

The Board later determined they wanted this communication to be sent to the Commission immediately and Mr. Mason agreed to forward this to the City Commission.

Outsourcing

Mr. Williams wanted to recommend that the City Commission instruct City management to address the ADP recommendation and the opportunities that existed to outsource City functions.

Chair Page said she, the City Auditor and others and had met with Mr. Keller for over two hours and “what they can do is really impressive.” She stated they did hire the best of the City employees and “unless you’re worried about pension, I think it probably, in the long run is a better career path.”

Mr. Nesbitt admired the Calvin, Giordano presentation, but remarked they had not heard the City’s point of view from anyone, so he was uncomfortable making a recommendation until they heard from the City employees.

Mr. Cross asked if all actions on the part of the City Manager required back and forth with the City Commission. Mr. Dunckel stated, “The politically prudent path to follow would be to bring the City Commission in on that decision making.”

Mr. Williams wanted to recommend the City Commission instruct the City Manager and staff to sit down with ADP or anybody else who provides that kind of service and come back with a definitive recommendation of next steps to the Board and to the City Commission. He noted that in order for outsourcing to work, the City Manager must support it.

Mr. Timiraos reminded the Board that they were supposed to have received an update on the five-year plan from the Acting City Manager this evening but she had left without reporting. He felt the Board would be wasting its time to add more items to their list of recommendations.

Mr. Nesbitt reminded the Board that they had already expressed the fact that they supported exploring contracting out, and he did not see how this recommendation was any different unless they were being specific as to the function to be contracted out.

Mr. Herbst explained that the City Commission must award any contract after a bid process. The other issue was they did not know there would be cost savings and service level enhancements. ADP had wanted to gather information to create a business case to show what they could do. Mr. Herbst said there was a model called Managed Competition that allowed existing city departments to bid a contract for services alongside outside vendors. Mr. Dunckel said the City had done this years ago with the crew that lays pipe, and the City department had come out cheaper than the competition.

Other Discussion Items

Chair Page asked Ms. Singleton-Taylor if there had been any progress with the list of the Board's recommendations. Ms. Singleton-Taylor said they had completed certain items, such as the update on the five-year financial forecast ordinance and a comparative analysis survey. Ms. Singleton-Taylor said the City Auditor had sent a communication out in December 2010 regarding two items under organizational structure. They had also established an earlier start for the budget process on January 31, two months earlier.

Mr. Silva requested the following items be put on their next agenda: discussion of the types of presentations they had seen thus far: ADP, outsourcing and healthcare and discussion of the progress report.

9. Adjournment

With no further business to come before the Board, the meeting was adjourned at 10:04 a.m.

Next meeting: February 16, 2010 at 6:00 PM

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