

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
FEBRUARY 16, 2011, 2010 – 6:00 P.M.

Board Member	Attendance	10/2010 through 9/2011	
		P	A
June Page, Chair	P	5	0
Anthony Timiraos, Vice Chair	A	3	2
AJ Cross	P	3	0
Gregory Dickinson	P	3	1
Nadine Hankerson [6:05]	P	3	2
Sam Monroe	P	1	0
Fred Nesbitt	P	5	0
Alan Silva	P	5	0
Mark Snead	P	5	0
Ray Williams	P	4	1

City Staff

Norm Mason, Staff Liaison, Assistant Budget Director
 Shonda Singleton-Taylor, Deputy Director, Finance
 Douglas R. Wood, Director of Finance
 John Herbst, City Auditor
 David Hebert, Assistant City Manager
 J. Opperlee, ProtoType Inc.

Communications to the City Commission

Motion made by Mr. Williams, seconded by Mr. Cross, to recommend the City Commission direct staff to use items 4, 6, 7, 8, 9 and 20 from the BAB Recommendations Matrix as potentially key elements to reducing the budget for 2011-2012. In a voice vote, motion passed unanimously.

Motion made by Mr. Williams, seconded by Ms. Hankerson, to recommend the City Commission direct staff to use item 15 from the BAB Recommendations Matrix as potentially key elements to reducing one time expenses only in the budget for 2011-2012. In a voice vote, motion passed unanimously.

Motion made by Mr. Silva, seconded by Mr. Williams, to recommend to the City Commission that the operating millage rate stay the same and that reserves not be used to balance the budget. In a voice vote, motion passed 8 – 1 with Mr. Nesbitt opposed.

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 6:00 p.m.

2. Review of Meeting Minutes from January 2011

The Board noted corrections to the minutes.

Motion made by Mr. Nesbitt, seconded by Mr. Williams, to approve the minutes of the Board's January 2011 meeting as amended. In a voice vote, motion passed unanimously.

Chair Page introduced Mr. Douglas R. Wood, Director of Finance Department. Mr. Wood stated he had been doing government finance, accounting and budgeting for over 40 years.

At 6:05 Ms. Hankerson arrived.

Board members introduced themselves in turn.

Chair Page asked if the Acting City Manager would provide an update. Mr. Hebert explained Ms. Love was unavailable because she was attending the wake of a Police Department employee's child.

Ms. Singleton-Taylor referred to the BAB Recommendations Matrix and noted regarding item 11 Activity-based Costing, the Research and Budget Office was meeting with vendors regarding the activity-based costing system and would meet with the City Auditor as well.

3. Discussion:

- **BAB Topics for Quarterly Workshops**

Chair Page asked about the Five-Year Financial Forecast, and Ms. Singleton-Taylor stated they had contracted with a vendor for MuniCast and provided their raw data a few weeks ago. The vendor should complete the model within a week or so. A workshop was planned for the second Commission conference meeting on March 15 at 1:30 p.m.

Mr. Cross wanted to ask the City Commission if the BAB could review the Five-Year Financial Forecast prior to its submission to the Commission. Mr. Nesbitt thought the Board would be able to participate in the plan and staff would communicate with them. He noted the only information they had received from Ms. Love was a two-page chart [the BAB Recommendations Matrix]. According to the matrix, item 18 – Benchmarks and Timetables – had already been implemented but they were not receiving any information. He wished the Commission to clarify if the Board was supposed to receive information or just a chart.

Mr. Herbst said there was a formal report required by ordinance, which would be presented in July. The Board was seeking a preliminary estimate, which he felt they could request earlier. Mr. Herbst said the report issued in July was not adopted until September after a complete discussion of all the assumptions. This did not preclude the Board from requesting preliminary information. Ms. Singleton-Taylor explained that at their meeting in March they would discuss their forecast assumptions for revenue with the Commission.

Mr. Silva suggested the Board discuss this with the Commission on Monday. He also wanted to know the progress of the item regarding headcount. Ms. Singleton-Taylor said the City Manager's office was working on this. Chair Page wanted an update every month on the matrix items.

Ms. Singleton-Taylor said they had kicked off the budget process on January 31 and departments' first estimates were due February 28. Mr. Snead asked if the Board could get a copy of guidelines that had been provided to the departments. Ms. Singleton-Taylor said departments had been provided with a large packet to guide them on preparing their budgets. She agreed to provide this to Board members. Mr. Williams requested updated budget policies prior to their workshop with the Commission on Monday.

Mr. Williams had circulated an email suggesting a discussion regarding a target operating budget reduction. He had spoken with Mayor Seiler about this and they would meet Monday to discuss it. Mr. Williams said the Mayor was very interested in this and also with the Board being specific regarding which of their recommendations needed to be considered by City Management for implementation in next year's budget.

Mr. Williams also wanted City staff to move forward regarding the outsourcing presentations they had seen.

Mr. Herbst said there were some new expenses that would hit next year, including additional pension contributions, additional contributions for the unfunded Other Post-Employment Benefits [OPEB] liability and some potential 911 dispatch costs. Mr. Herbst had estimated the new expenses could total \$15 million.

Mr. Nesbitt reminded the Board that their recommendations were two years old and could have provided cost savings had they been implemented sooner. Mr. Williams said from his conversations with Commissioners, he believed they were prepared to direct staff to implement the Board's recommendations. He said the Mayor wanted the Board's input regarding which recommendations could make the greatest impact on the budget.

Mr. Silva wanted to prioritize the headcount reduction recommendation. He noted that no one had performed a study regarding optimal headcount in public safety or public service. Ms. Hankerson asked if the outsourcing would be a competitive process. Chair Page thought it should be, and indicated that outside companies and City departments could bid on the job. Mr. William suggested having ADP conduct a study and provide recommendations. Chair Page suggested at least two companies could conduct a study.

Mr. Herbst said if the Board wished ADP to conduct a free business case analysis, they should recommend that the Commission direct the City Manager to facilitate the study and to investigate other outsourcing opportunities. Mr. Herbst added that several City departments would be suitable for outsourcing.

Mr. Williams stated the support of management was critical, and he recommended the Commission ask two or three people, perhaps members of the BAB, to perform the reference checks. It would then be an independent process.

Mr. Cross stated he had not seen resolve on the part of the Commission to implement the Board's recommendations. He said a policy must be established regarding responsiveness and benchmarks. Mr. Snead felt the Five-Year plan was an example of this failure. Mr. Nesbitt recalled the Commissioners had agreed that there should be sharing of information and that the Acting City Manager or a senior staff member would attend every Budget Advisory Board meeting. This was not happening, and he wanted to ask the Commission if this was their policy or not. Mr. Snead said they must be very specific about the information and input they expected, as with the Five-Year plan.

Mr. Cross said this policy that must exist regardless of the person currently serving as City Manager. Mr. Dickinson agreed they should present specific examples to the Commission. Mr. Williams said there had been no openness to discuss any of their recommendations' progress or to provide updates. Mr. Cross felt the outsourcing was a great segue to open this dialog, especially since this was a viable option that would not cost the City anything.

Chair Page recalled Ms. Love informing the Board that they would see the Five-Year plan after it was presented to the Commission because she believed this was the proper way to do her job. Chair Page said the Board should ask the Commission to direct Ms. Love to do her job differently.

Ms. Hankerson felt directives should come from the Mayor. She noted this was not the first time this issue had come up, and recalled Mr. Cobb at their last workshop noting that the Board had not received answers from the former City Manager.

Mr. Snead remarked that they needed new software to perform accurate activity-based costing and tracking of expenses. Mr. Herbst stated they could perform cost studies, but this would be labor intensive and difficult with their current resources. He added that budget staff resources were already very thin, as they had taken on additional responsibilities, and asking them to perform additional research and analysis without providing them resources would be "extraordinarily burdensome." Mr. Williams thought this analysis should be performed by the City Manager and senior staff, not budget staff. He believed the analytical work could be done at the departmental level.

Mr. Cross asked what happened to money that had been budgeted to departments that was not used. Mr. Herbst explained that an analysis of capital projects that were currently in progress that had residual balances had already been requested from Public Works. He stated after close-out, funds went back into the general capital project holding account. Mr. Herbst said some of the residual could be redeployed, but some was bond funds that could not be pulled back out. He said the funds could be left for future capital projects in lieu of General Fund contributions for the current year or they could use the funds as they had done last year to offset Police overtime for one year.

Mr. Herbst informed the Board that at the end of each year, they performed a "true-up" and the Commission approved a clean-up budget amendment. Any excess of real revenue over real expenses went to the Fund Balance. No money was carried over from year to year except money that was under contract and encumbered.

For Enterprise Funds, Mr. Herbst explained they utilized the flow of economic resources basis of accounting and the accrual basis of accounting. Enterprise Funds did the same

thing; whatever net income was generated at the end of the year went into net assets, which remained in that operation. Mr. Herbst stated the assets could be transferred back to the General Fund by charging a Payment In Lieu Of Taxes [PILOT] or charging back general overhead, but there was a limit. Ms. Singleton-Taylor said all of this information was contained in the budget book.

Mr. Herbst explained that all of the City's cash was in one account and was invested for interest, which was distributed to individual funds based on their share of the aggregate account. Last year, the yield on the account was approximately ½ %.

Motion made by Mr. Williams, seconded by Mr. Cross, to recommend the City Commission direct staff to use items 4, 6, 7, 8, 9 and 20 from the BAB Recommendations Matrix as potentially key elements to reducing the budget for 2011-2012. In a voice vote, motion passed unanimously.

Motion made by Mr. Williams, seconded by Ms. Hankerson, to recommend the City Commission direct staff to use item 15 from the BAB Recommendations Matrix as potentially key elements to reducing one time expenses only in the budget for 2011-2012. In a voice vote, motion passed unanimously.

Mr. Mason explained that this year, there would be three deadlines for budget information: late January, early April and June. Mr. Dickinson wanted the City Commission to direct the Acting City Manager to share the budget information with the Board at the times of these reporting deadlines. Ms. Singleton-Taylor said when her office received the information, it must be entered into the Financial Accounting and Management Information System [FAMIS] and information from that was provided back to the departments to fill in their budget and program proposal forms. This compilation and analysis took a couple of weeks. Ms. Singleton-Taylor informed Mr. Dickinson that department heads' justification for their requests was included on the program forms.

Mr. Snead wanted to see the guidelines given to the departments as well as the process. Ms. Singleton-Taylor agreed to forward the budget packet to Board members. Mr. Cross asked if the Board could see what departments asked for versus what they would get prior to the approval. Ms. Singleton-Taylor stated there was a very narrow window between when they processed the data and prepared the departments for their next estimates in April, and she did not know when that information would be available. Additionally, other information, such as the Property Appraiser's revenue data, would not be available until later. Mr. Silva thought the Board should provide input when the Acting City Manager received the information used to determine budget priorities.

Mr. Snead suggested asking the Commission to direct staff to identify points during the process when the Board could review and provide input regarding priorities. Ms. Singleton-Taylor said in May, there were meetings between City Management and departments to discuss their budgets. Mr. Williams wished the Acting City Manager to identify the points when it would be appropriate and possible to discuss with the Board where they were and what decisions had to be made.

- **Budget Reduction Targets**

Mr. Williams suggested recommending a 5% total budget reduction target. He believed if the Board's recommendations were implemented, it would be easy to cut 5%. Mr. Williams stated the reason for setting a specific number was because "at the end of the day, we have to have the management of this City take ownership that they are going to wind up making some of this stuff happen and it's going to impact to lower the cost of government."

Mr. Snead felt setting a specific target was "unproductive, destroys morale and doesn't accomplish what we want to accomplish...but putting forth these recommendations and saying 'get efficient, streamline your department, look at outsourcing' the results will come..."

Mr. Dickinson noted 67% of the budget was devoted to Fire and Rescue, and he felt they would not get a 5% reduction there, which would raise the percent needed in all other areas. Mr. Williams felt there were opportunities for reducing Fire and Police, if some of their recommendations were implemented.

Ms. Hankerson felt the City was "top heavy" and "the Commission is going to have to have the political will to want to have that discussion and the top portion of what we pay people is in the headcount." She thought, "Unless we want to talk about how we're going to eliminate people ...it's not going to happen."

The Board agreed that they needed to recommend a reduction in the overall budget for next year, but not to suggest a specific percent. Mr. Nesbitt felt the Commission did not want to cut services or employees. He wanted to recommend that the Commission must identify services to eliminate. Mr. Williams believed they did not need to cut services; implementing the Board's recommendations would allow the City to "improve the quality of service, productivity and reduce expense all at the same time and spend less money doing it."

Mr. Silva thought if they set a target, it should be a dollar amount and it should be submitted prior to the budget being put together. He said, "The word has got to go out

from the Acting City Manager and the Budget Office, 'guys, don't come in with 100% of what you need; come in with 95% of what you need...prioritize your programs and let us decide...what is going to be in and what is going to be out.'" Mr. Silva thought, "whatever last year's budget was, minus the amount that came in from the reserve ...should be the starting point from which they subtract money." Mr. Williams insisted that utilizing the Board's recommendations would result in significant savings.

Mr. Herbst explained to Chair Page that he had not heard about any changes to the Commission's previous priorities. Ms. Singleton-Taylor felt the Board needed to know the Commission's priorities.

Chair Page believed the Commission must change its priorities from the previous year; they were not fiscally responsible. Mr. Herbst said, "In a service organization, you either reduce headcount, you reduce pay; if you're not going to touch taxes, that's it." He stated 70-80% of the budget was payroll and benefits. Mr. Herbst said the Commission had indicated that public safety was the number one reason we had local government, so he felt cuts to public safety would be off the table. He said the Commission must assess City programs and determine which were part of the core mission of government and which were not. Then, employees associated with the non-core mission would have to be let go. He said some of the functions could be outsourced, resulting in a reduced headcount.

Chair Page felt their first discussion on Monday should be that the Commission must change one of its budget policies, then they should suggest that a budget reduction was in order.

Mr. Silva agreed with Mr. Herbst that Public Safety was a core function of government, but he questioned the need for two Deputy Chiefs, five Majors and twenty-five Lieutenants. He noted each of these positions was equivalent to four other people. He felt the case could be made that public safety would not be compromised by looking at span of control and overhead. Mr. Silva thought every department should undertake a rigorous review of its structure.

Mr. Herbst suggested that if they began with the presumption that uniform services was top-heavy with Chiefs, "that the desired outcome of that would be to re-deploy those folks into some sort of law enforcement related activity as opposed to management activity. I think that they would not want to reduce headcount; what they would rather do is take those rather experienced officers and have them do policing as opposed to supervisory activities."

Mr. Silva thought in the absence of reorganization and headcount plans, there should be a freeze on filling any vacancies until they knew what the ideal organizational structure and headcount would be. Ms. Singleton-Taylor explained the only positions currently being filled were those that were critical to the operation. Mr. Cross felt there were departments that could be consolidated.

Motion made by Mr. Williams to recommend to the City Commission that next year's operating budget be reduced by \$7.5 million. Motion died for lack of a second.

Mr. Silva noted there was approximately \$6 – 7 million in “one-time money” that was included in the budget plus a decrease in the tax rolls of \$3 – 4 million. Mr. Wood stated if there were an additional \$15 million in new costs in the next year, making the \$7.5 million reduction goal well over 10% of the total budget. Mr. Wood said from what he had seen in Finance, the biggest single thing they needed was to modernize their financial systems. He remarked that their current system was very labor intensive; there were 65 people who regularly worked overtime just to keep up.

Mr. Herbst explained that pensions would “take care of themselves over time” and the pension unfunded liability was not an issue the Board needed to deal with. There was a difference between this and OPEB. They did not have an OPEB Trust, as they did for pensions, so there were no market earnings to help offset that unfunded liability. Mr. Herbst wished the Board to consider establishing an OPEB Trust so the City could start investing the money they were building up toward the liability in the same manner they invested the Pension Trust.

Motion made by Mr. Silva, seconded by Mr. Williams, to recommend to the City Commission that the operating millage rate stay the same and that reserves not be used to balance the budget. In a voice vote, motion passed 9 – 1 with Mr. Nesbitt opposed.

- **Other Discussions and Announcements**

Mr. Herbst informed the Board that during the collective bargaining sessions with the Teamsters earlier in the day, the City had not altered its position: it was offering a 0% increase, followed by a 1% increase and a 1% increase. The union had asked for more but the City had refused. There would also be a reduction in merit pay. Mr. Herbst said the union was not very receptive to the City's offer and he anticipated they would go to impasse and mediation.

4. Communication to the City Commission

The Board asked that all of their motions regarding their previous recommendations be forwarded to the City Commission prior to their meeting with the Commission on Monday.

5. Adjournment

With no further business to come before the Board, the meeting was adjourned at 8:38 p.m.

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

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