FINAL

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

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

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 [via phone]
Lynda Flynn, City Treasurer
Alyson Love, Acting City Manager
Kathleen Gunn, Acting Assistant City Manager
Bobbi Williams, Administrative Assistant I
Jerry Crossley, Classification and Compensation Manager
Averill Dorsett, Human Resources Director
Robert Dunckel, Assistant City Attorney
J. Opperlee, ProtoType Inc.

Communications to the City Commission

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 February 2011

The Board noted corrections to the minutes.

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

The Board discussed the possibility of meeting twice per month. They decided to determine at the end of the meeting whether or not they needed an additional meeting.

3. Five Year Forecast Revenue Assumptions

Ms. Singleton-Taylor and Mr. Mason gave a Power Point presentation, a copy of which is attached to these minutes for the public record.

Mr. Nesbitt recalled that the Board had recommended the fees be reviewed, and the Commission had indicated fees would be increased gradually. He noted that in the current fiscal year budget, over 100 fees had been adjusted, and asked if the review and adjustment would continue. Ms. Love said this would take place every other year. She stated they had gone through all of the fees that could be raised; there were other fees that varied too much to consider cost recovery.

Regarding the Fire Assessment Fees, Ms. Singleton-Taylor stated it was currently at approximately 50% recovery, and one of the scenarios they had developed would increase it gradually until they recovered 74% by 2015/2016.

Mr. Silva asked if staff had a presentation on a five-year projection of expenses. Ms. Love stated they did not have this. Mr. Silva said the CPI had actually decreased in some years. Mr. Mason said he used data from the South Florida Regional Bureau of Labor Statistics, which were available on line, for the City's CPI. Mr. Silva noted the impact fuel costs would have on expenditures. Mr. Herbst said a couple of years ago, they had considered hedging fuel costs using forward fuel purchase option derivatives and/or locking in costs via a contract.

4. Balances and Reserves Estimates

At present, Mr. Wood said the number was not solid, but based on his review, undesignated available fund balances ranged from $62 million to $69 million, better than the original budget showed. This number included the 12 – 15% reserve, which ranged from $25 million to $38 million.

Regarding the headcount question, Mr. Wood said he had counted the number of paychecks sent out in the last payrolls for 2008, 2009 and 2010 and reconciled this with the number of full and part-time employees in that pay period. The final component was how many people were budgeted. Chair Page asked if the 2,509 2010/2011 total FTEs included the 91 funded but vacant positions. Mr. Wood said it did.

Mr. Silva asked if the City knew how many people had exercised their drop option and would be retiring this year. Ms. Love said they knew this and budgeted for it.

5. Program Proposal Form Discussion

This item was discussed out of order.

Ms. Singleton-Taylor referred to the Program Proposal form that departments completed for their budget submittals. She explained it was completed at the index code level of the financial system. Ms. Love said the forms had been distributed earlier this year to give departments time to benchmark against organizations that were similar in size in the Comparative Performance Data section. Questions on outsourcing had also been added. Ms. Love stated the Budget Office would now analyze the data and ask for clarification or correction from the departments. Mr. Silva asked if department heads had reviewed the forms to ensure they were internally consistent. Ms. Love said accountability started at the department head level, and they expected that department heads would review the forms with staff prior to submission.

6. Status Report on Budget Advisory Board Recommendations

Regarding item 10, the Budget Process, Ms. Singleton-Taylor said budget workshops were scheduled with the Commission on March 15, April 20 and May 17. Ms. Love said expenditures would be discussed at the April meeting.

Mr. Herbst agreed to email Board members the reports regarding outsourcing and service sharing. He said they had contacted larger cities to see which services they outsourced and/or shared. Mr. Herbst stated he had created a matrix listing all cities they had contacted and all departments, functions or activities they outsourced.

Regarding item 11 Activity Based Costing, Mr. Herbst stated this was a Cost/Benefit analysis on implementing a new accounting system that would enable them to conduct activity-based accounting. Mr. Herbst noted that the cost/benefit analysis must consider time, training and staffing commitments and whether the new system would actually provide the desired data. He remarked that activity-based costing was not widely practiced in the governmental sphere, so he was unsure if systems existed to answer their questions. Mr. Herbst estimated the cost would be at least $10 million.

Ms. Love had asked Mr. Wood and the IT Department to do some preliminary research into activity-based costing, and she said they would be taking it slowly. Mr. Herbst agreed this would be a lengthy implementation process.

Chair Page asked if the City Attorney's office had reviewed the service fees on February 28. Mr. Dunckel agreed to send Board members a memo regarding the status of this item. Ms. Love stated the City Attorney's office was drafting a resolution pursuant to this.

Mr. Timiraos felt that setting an implementation date of July 7, 2011 for any recommendation regarding department consolidation was a bit late to have an impact on the 2011/2012 budget. Ms. Love said she was currently working on her first recommendation of two departments that could be consolidated and anticipated bringing this forward in the next 60 days. Mr. Nesbitt recalled that the Commission had indicated a desire to eliminate at least two departments prior to the budget submission.

Mr. Cross asked if the Board was supposed to create a proposal to consolidate departments or if they were supposed to work with the City Manager. Chair Page said Board members had already come up with ideas and Ms. Love was aware of these. Mr. Cross agreed that these ideas should be presented to Ms. Love prior to being presented to the Commission.

Mr. Nesbitt asked for an update regarding surplus properties. Mr. Dunckel said there were actually 64 surplus properties, and due to the time required to prepare each one for the Commission's agenda, they planned to put five on each Commission agenda. He explained there were also "unbuildable lot" properties for which they must find contiguous property owners willing to purchase them. He remarked that often, these property owners were only willing to pay pennies on the dollar for this property. Mr. Dunckel reported in April these would start appearing on the Commission's agenda. Ms. Love said Steven Scott, the staff member knowledgeable about surplus properties, would attend the Board's April meeting, as would department directors involved.

Mr. Nesbitt requested an update on outsourcing of payroll. Ms. Gunn reported staff was compiling data and they were creating an RFP. She stated they planned to bring this to the Commission at their second meeting in April. Ms. Love said they had learned what ADP had done for other cities and they were compiling this information. Ms. Love stated they were ahead of schedule with the RFP. Mr. Silva asked if all payroll would be included in the outsourcing. Ms. Gunn stated they did not know yet, since they had software they currently used for payroll and other functions. Mr. Silva said the Board would like to know if certain pieces could not be outsourced and why.

Mr. Snead stated outsourcing vendors would determine where it would be cost effective for them to perform a function and where it would not.

7. Other discussion Items

Chair Page wished to discuss the pay inequity issue for non-union employees the Board had previously discussed. She said the City Attorney's office and the City Auditor agreed that the 250 non-union employees were most closely related to the Federation Union employees. Chair Page recalled the Board had originally made a unanimous recommendation regarding this, but three Board members had broken from the group during discussion with the Commission and she took issue with this. She wanted to discuss how to reword the resolution to address the pay inequity. Chair Page thought they could focus on the confidential employees and not include all of the managerial employees.

Mr. Jerry Crossley, Classification and Compensation Manager, explained that employees in the Federation Union had sacrificed longevity for new hires in exchange for their raises. Mr. Dunckel added that the pension plan had been closed for all new hires, including the 250 non-union employees. Regarding the 5% raise, Mr. Dunckel stated: "For the fiscal year beginning October '07, they get 5%; for the fiscal year beginning October of '08 they get 5%. This other group got the October '07 5%, did not get the October '08 raise and did not get a raise, and in fact, last year, it was funded, it was in the budget…if you take that 1.12 million and divide it by 250 people, those folks have already given up over $4,400 on the average, so the argument really doesn't hold water." Mr. Dunckel said the City had historically treated management the same as the bargaining units, and this was a Commission policy decision.

Mr. Crossley explained that Federation employees and the non-union group still had drop. Federation new hires did not have longevity; everyone in the non-union group still had drop. Averill Dorsett, Human Resources Director, said teamsters had lost drop in 2004 during mediation. Mr. Snead said in order to level the playing field, they could recommend that no employee got longevity. This would address the Mayor's concern that the non-union group had not given up anything. Mr. Snead did not want to address retroactive raises; he wanted to implement a one-time 5% raise this year. Mr. Snead did not want to touch the reserves to accomplish this.

Mr. Nesbitt asked about 5% "confidential pay." Mr. Crossley said this had been an unwritten policy for the group of 50 confidential employees that were excluded from any union because they assisted management in preparing budgets and in other confidential capacities. The City paid these employees somewhat more than their counterparts.

Mr. Cross felt that after giving the non-union employees a one-time 5% raise, the benefits for new hires must be leveled as well, and so the non-union employees should lose longevity for new hires. Mr. Crossley stated longevity was on a downward trend and over the next 20 years it would be reduced dramatically.

Ms. Hankerson felt they needed to determine whether or not the employees would get retroactive raises, and how it should be funded, and/or if they should get the current raise and how to fund that.

Chair Page asked if Board members agreed to recommend that this group receive a one-time 5% raise and lose longevity for new hires and that the raises should be funded as the City Manager saw fit. Ms. Hankerson was still not clear and said she could not make a decision. Mr. Cross agreed they needed additional information.

Mr. Nesbitt said the question was whether they wanted to do what was right or what was politically possible. He stated they could send a recommendation to the Commission they knew was dead on arrival, or send a recommendation that the Commission would seriously consider and hopefully enact. Mr. Nesbitt did not believe a raise retroactive to 2009 would pass the Commission. In this budget environment, he thought a 5% pay increase would sit badly with residents. He noted there were others in the community who felt management was already overpaid, and would therefore object to the pay increase.

Mr. Snead believed the Commission was asking for the Committee's help with the political fallout. The Board's support would provide the Commission some political cover.

Mr. Timiraos favored making the employees' pay equitable, but doubted staff could explain to the Board exactly what this required. Chair Page suggested recommending that the 250 non-unionized employees receive the 5% pay increase for fiscal 2010/2011 that staff in the Federation Union had received in fiscal year 2009/2010 and that new hires in this group no longer receive longevity.

Mr. Nesbitt suggested Chair Page draft the motion and email it to other Board members to consider and discuss at their next meeting. Mr. Silva did not feel that management employees, given what they currently had and the potential for reorganization, should get the 5% until things settled down and they knew how many managers they would have. Mr. Crossley said this was a broad group of professionals and supervisors and some of them had counterparts in the Federation who were making more than they were.

Mr. Hankerson felt that even though Board members were appointed by Commissioners, they represented the community and they should keep their best interests in mind. They should therefore speak based on their own opinions, and not assume the responsibility of the Mayor and the Commission.

Motion made by Mr. Silva, seconded by Mr. Timiraos, for the Board to meet on March 31. In a voice vote, motion passed unanimously.

8. Communication to the Commission

None.

9. Adjournment

With no further business to come before the Board, the meeting was adjourned at 8:15 p.m.

Next meeting: March 31, 2010 at 8:00 AM

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

Forecast Revenue Assumptions

March 16, 2011

Finance
Research & Budget Division

PURPOSE

PROPOSED METHODOLOGY FOR THE
5 YEAR FORECAST
(REVENUE)

2

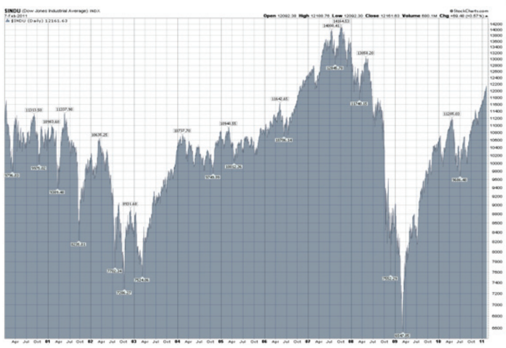
ECONOMIC INDICATORS

3

REAL GDP (2007 - 2010)

4

DOW JONES INDUSTRIAL AVERAGE (2000 – 2011)



5

GENERAL FUND REVENUE

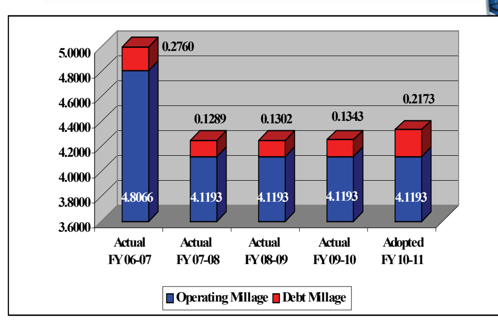
6

AD VALOREM TAXES

- Property Taxes

7

OPERATING/DEBT MILLAGE RATE HISTORY



8

OPERATING MILLAGE RATE : ASSUMPTIONS

- FY11/12 4.1193
- FY 12/13 4.1193
- FY13/14 4.1193
- FY 14/15 4.1193
- FY 15/16 4.1193

9

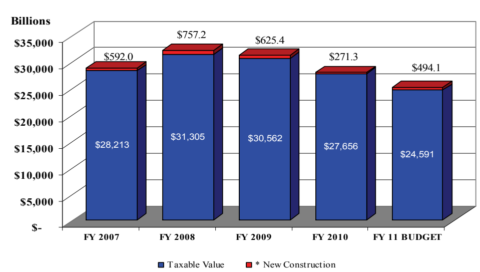
PROPERTY TAX HISTORICAL PERSPECTIVE

Fiscal Year	CPI %*	Population	% Change	Taxable Value**	% Change
2006	4.0%	170,000	0.0%	$23.7	15.3%
2007	2.1%	175,270	3.0%	$28.2	16.0%
2008	4.3%	175,518	0.1%	$31.3	9.9%
2009	0.0%	179,659	2.3%	$30.6	-3.1%
2010	2.6%	180,084	0.2%	$27.7	-9.8%
2011	1.6%	180,384	0.2%	$24.6	-12.0%

* Source: Bureau of Labor Statistics (South Florida Region)
** In Billions

10

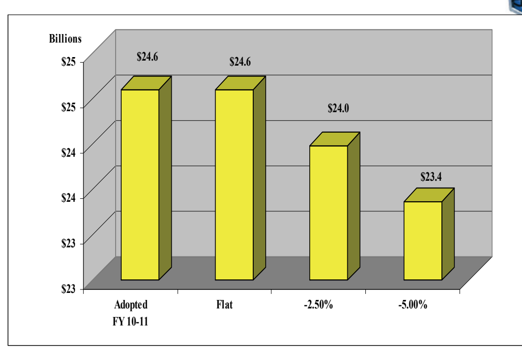
PROPERTY TAXABLE VALUE HISTORY



* New Construction values listed in millions

11

PROPERTY TAXABLE VALUE SCENARIOS - FY 11/12



Source: BCPA – flat estimate

12

PROPERTY TAXABLE VALUE ASSUMPTIONS

- FY 12/13 +2.5%
- FY13/14 +2.5%
- FY 14/15 +2.5%
- FY 15/16 +2.5%

13

FY 2010/2011 BUDGET GENERAL FUND REVENUES

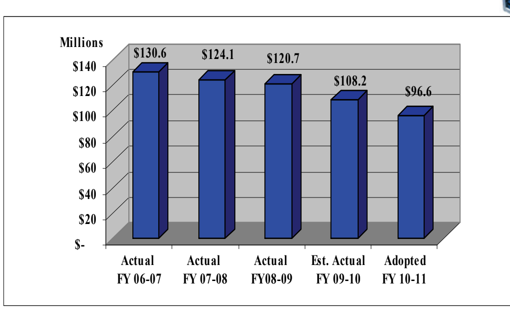
Revenue Source	Amount*	PCT
Ad Valorem Taxes	**$101.7**	**31%**
Utility Taxes	36.7	11%
Franchise Fees	19.5	6%
Intergovernmental	16.7	5%
Charges for Services	19.9	6%
Licenses & Permits	3.0	1%
Sales & Use Tax	4.2	1%
Fines & Forfeitures	10.7	3%
Miscellaneous	50.2	15%
Balances & Reserves	61.6	21%

*In Millions

$324.2 Million

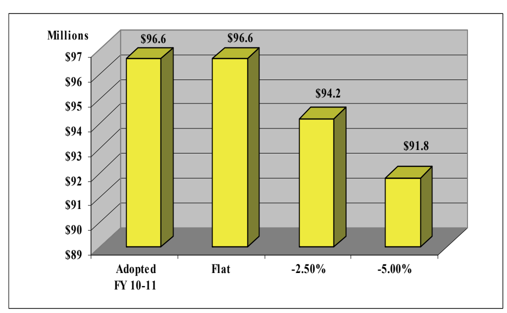
14

AD VALOREM TAXES REVENUE: OPERATING - 5 YEAR HISTORY



15

AD VALOREM TAXES REVENUE: OPERATING –SCENARIOS - FY 11/12



16

AD VALOREM TAXES REVENUE: OPERATING - ASSUMPTIONS

- FY 12/13 +2.5%
- FY13/14 +2.5%
- FY 14/15 +2.5%
- FY 15/16 +2.5%

Assumes Operating Millage Rate remains flat at $4.1193

17

FY 2010/2011 BUDGET GENERAL FUND REVENUES

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Miscellaneous	50.2	15%
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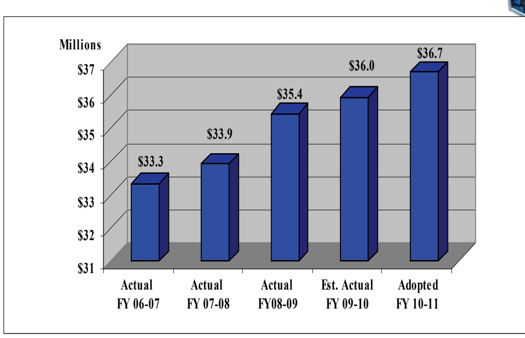
*In Millions

$324.2 Million

18

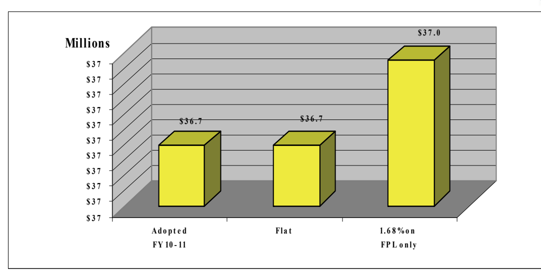
UTILITY TAXES REVENUE: 5 YEAR HISTORY



Includes FPL Utility, Gas, Water, and Communications Services Tax

19

UTILITY TAXES REVENUE: SCENARIOS- FY 11/ 12



Source: FPL and Public Service Commission

20

UTILITY TAXES REVENUE: ASSUMPTIONS

- FY 12/13 +1.5%
- FY13/14 +2.0%
- FY 14/15 +2.0%
- FY 15/16 +2.5%

21

FY 2010/2011 BUDGET GENERAL FUND REVENUES

Revenue Source	Amount*	PCT
Ad Valorem Tax	$101.7	31%
Utility Taxes	36.7	11%
Franchise Fees	**19.5**	**6%**
Intergovernmental	16.7	5%
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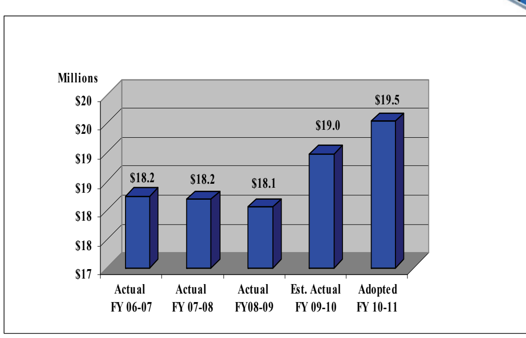
*In Millions

$324.2 Million

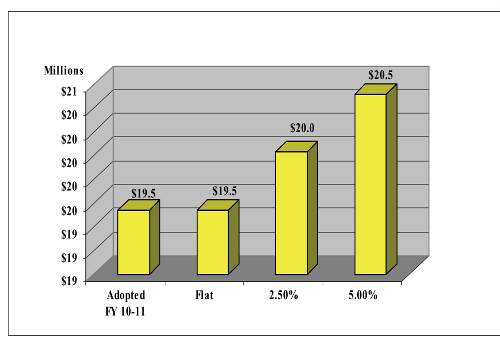
22

FRANCHISE FEES REVENUE: 5 YEAR HISTORY



23

FRANCHISE FEES REVENUE: SCENARIOS- FY 11/12



24 Source: FPL

FRANCHISE FEES REVENUE: ASSUMPTIONS

- FY 12/13 +2.0%
- FY13/14 +2.0%
- FY 14/15 +2.5%
- FY 15/16 +2.5%

25

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*In Millions

$324.2 Million

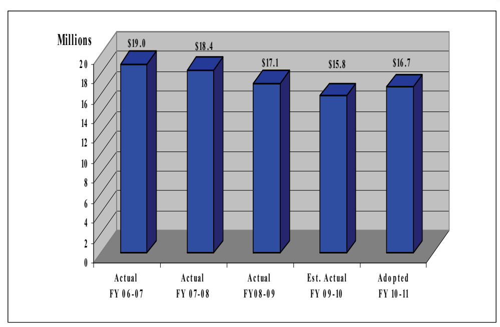
26

INTERGOVERNMENTAL REVENUE: MAJOR COMPONENTS

Half-Cent Sales Tax	59.0%
Sales Tax	19.2%
County Shared	11.8%
Motor Fuel Tax	6.9%
Other	3.1%

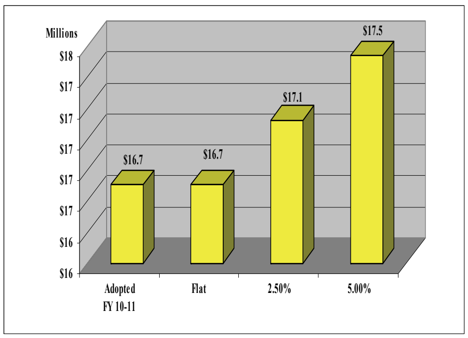
27

INTERGOVERNMENTAL REVENUE: 5 YEAR HISTORY



28

INTERGOVERNMENTAL REVENUE: SCENARIOS- FY 11/12



Source: University of Florida Bureau of Economic Research

29

INTERGOVERNMENTAL REVENUE: ASSUMPTIONS

- FY 12/13 +0.5%
- FY13/14 +1.0%
- FY 14/15 +1.0%
- FY 15/16 +1.5%

30

FY 2010/2011 BUDGET GENERAL FUND REVENUES

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$324.2 Million

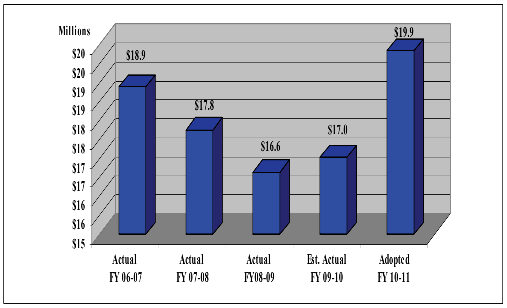
31

CHARGES FOR SERVICES REVENUE: MAJOR COMPONENTS

Other	49.4%
Fire Rescue Transport Fees	25.9%
Yacht Fees	8.2%
Alarm Response Fees	7.3%
Wilton Manors Service - Fire	6.6%
Zoning Reviews	2.6%

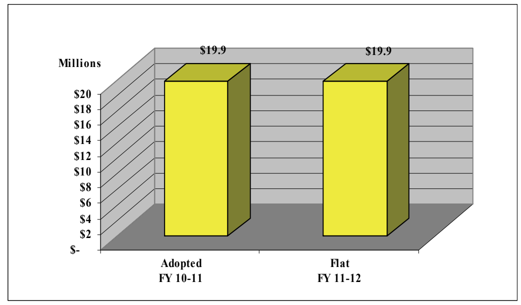
32

CHARGES FOR SERVICES REVENUE: 5 YEAR HISTORY



33

CHARGES FOR SERVICES REVENUE: PROJECTION – FY11/12



34

CHARGES FOR SERVICES REVENUE: ASSUMPTIONS

- FY11/12 0.0%
- FY 12/13 +4.8%
- FY13/14 +2.4%
- FY 14/15 +3.3%
- FY 15/16 +1.9%

Cost Recovery – FY 12/13, FY 14/15

35

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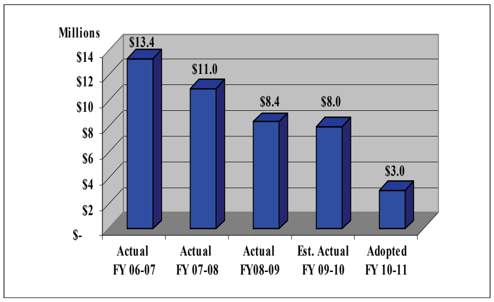
*In Millions

$324.2 Million

36

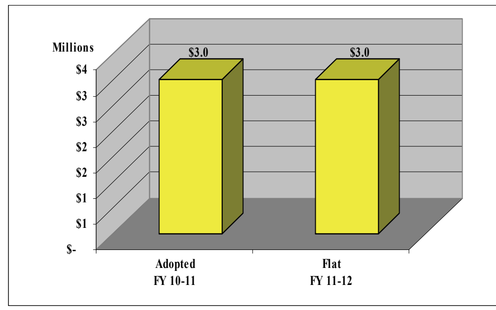
LICENSES & PERMITS REVENUE: 5 YEAR HISTORY



FY10/11 – excludes Building Permit Revenue

37

LICENSES & PERMITS REVENUE: PROJECTION - FY 11/12



38

LICENSES & PERMITS REVENUE: ASSUMPTIONS

- FY11/12 0.0%
- FY 12/13 +5.0%
- FY13/14 +1.5%
- FY 14/15 +5.0%
- FY 15/16 +2.5%

Cost Recovery (Business Tax Receipts) - FY 12/13, FY 14/15

39

FY 2010/2011 BUDGET GENERAL FUND REVENUES

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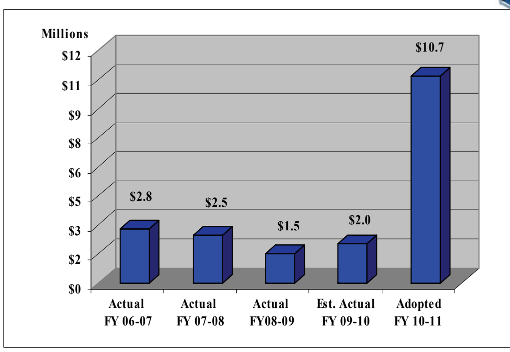
*In Millions

$324.2 Million

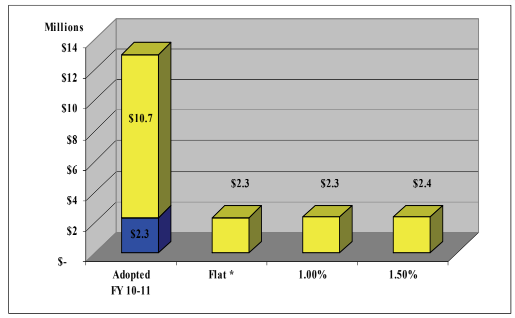
40

FINES & FORFEITURES REVENUE: 5 YEAR HISTORY



41

FINES & FORFEITURES REVENUE: SCENARIOS- FY 11/12



* Excludes Red Light Camera Enforcement

42

FINES & FORFEITURES REVENUE: ASSUMPTIONS*

- FY 12/13 +1.0%
- FY13/14 +1.3%
- FY 14/15 +1.3%
- FY 15/16 +1.5%

*Excludes Red Light Camera Enforcement

43

FY 2010/2011 BUDGET GENERAL FUND REVENUES

Revenue Source	Amount	PCT
Ad Valorem Taxes	$101.7	31%
Utility Taxes	36.7	11%
Franchise Fees	19.5	6%
Intergovernmental	16.7	5%
Charges for Services	19.9	6%
Licenses & Permits	3.0	1%
Sales & Use Tax	4.2	1%
Fines & Forfeitures	10.7	3%
Miscellaneous	**50.2**	**15%**
Balances & Reserves	61.6	21%

*In Millions

$324.2 Million

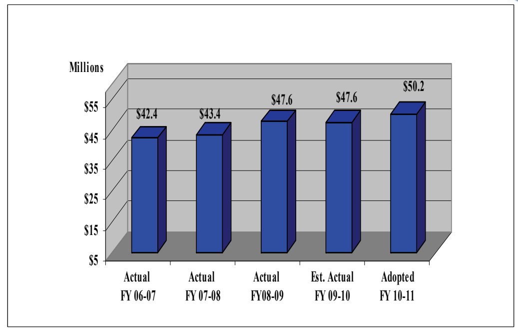
44

MISCELLANEOUS REVENUE: MAJOR COMPONENTS

Interfund Service Charges	50.0%
Fire Assessment Fee	39.9%
Rents & Royalties	5.1%
Other	3.7%
Earned Pool Interest	1.3%

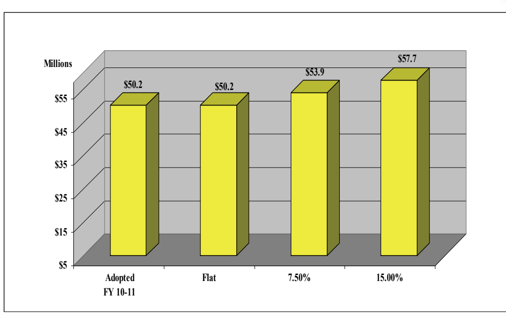
45

MISCELLANEOUS REVENUE: 5 YEAR HISTORY



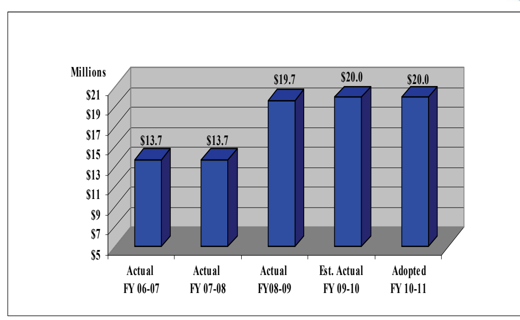
46

MISCELLANEOUS REVENUE: SCENARIOS- FY 11/12



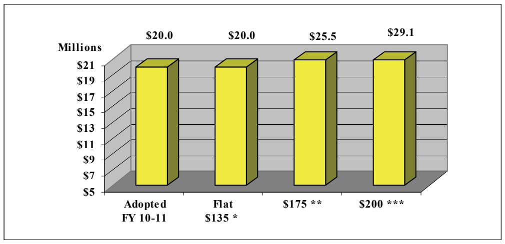
47

FIRE ASSESSMENT FEE: 5 YEAR HISTORY



48

FIRE ASSESSMENT FEE:
SCENARIOS- FY 11/12



*   Cost Recovery - 50%
** Cost Recovery - 64%
***Cost Recovery - 74%

49

FIRE ASSESSMENT FEE:
ASSUMPTIONS

FY 12/13	0.0%
FY13/14	7.5%
FY 14/15	0.0%
FY 15/16	7.5%

50

MISCELLANEOUS REVENUE:
ASSUMPTIONS

FY 12/13	+2.5%
FY13/14	+5.0%*
FY 14/15	+3.5%
FY 15/16	+5.0%*

*Includes Fire Assessment Fee Increase

51

CITY OF FORT LAUDERDALE
VENICE OF AMERICA