

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JUNE 15, 2011 – 6:00 P.M.

Board Member	Attendance	10/2010 through 9/2011	
		Cumulative Attendance Present	Absent
June Page, Chair	P	9	0
Anthony Timiraos, Vice Chair	P	7	2
AJ Cross	P	6	1
Gregory Dickinson	P	6	2
Nadine Hankerson [6:08]	P	5	3
Sam Monroe	A	1	4
Fred Nesbitt	P	9	0
Alan Silva	P	8	1
Mark Snead	P	9	0
Ray Williams	P	5	4

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
 Lynda Flynn, City Treasurer
 Diana Alarcon, Director Parking and Fleet Services
 Lee Feldman, City Manager
 Marco Hausy, Audit Manager
 Amanda Lebofsky, Prototype Inc.

Communications to the City Commission

Motion made by Mr. Snead, seconded by Mr. Dickinson, to recommend to the City Commission that they raise the \$10 parking fee limit and allow Parking and Fleet Services to look at particular areas for event rates or beach weekend rates to raise the rates to come closer to the market rate. In a voice vote, motion passed 7-2 with Mr. Silva and Ms. Hankerson 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 6:02 p.m.

2. Review of Meeting Minutes from May 2011

The Board noted corrections to the minutes.

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

3. Parking & Fleet Revenue Discussion

Ms. Diana Alarcon, Director of Parking and Fleet Services, said they had considered the suggestion to implement a 25-cent across-the-board rate increase, but she explained that in some areas, such as the beach, rates were already so high that she hesitated to recommend an increase in the current economy. In the Galt area, businesses had suffered when the City increased the rates and subsequently they were lowered back to the previous rate.

Ms. Alarcon said they had identified where they could generate approximately \$500,000 through a 25-cent increase. Mr. Snead asked if they could vary the rates in an area for different times of the week. He asked about market rates in specific areas. Ms. Alarcon said they had the flexibility with the multi-space meters to change rates at different times, and already practiced this in some areas. She explained that per City ordinance, parking could not be charged at more than \$10 per day.

Ms. Hankerson arrived at 6:08.

Ms. Alarcon said a parking study had determined that 70% of beach parking was private and only 30% was public, and there was ample parking. The consultant had recommended that the proportion should be 50% private and 50% public.

Mr. Herbst said they had audited the parking system a couple of years ago, and had been concerned that the size of the fund balance for parking had become relatively large. He explained that parking was a fee, and a fee should bear some relationship to the cost of providing the service. If a surplus was constantly generated, the City was charging more than it should. He had recommended a study to determine long-term parking needs. Now that the consultant had identified the needs, he was less concerned about the surplus in the fund.

Mr. Feldman said they could institute a surcharge for beach parking to cover services provided at the beach. Ms. Alarcon stated they shared 50% of the parking revenue from the beach with the General Fund to support the park in that area. They also shared revenue at the Intracoastal lot with Business Enterprises to support the marina.

Ms. Alarcon explained to Mr. Silva that the Performing Arts Center garage was a joint venture between the City, the Performing Arts Center and the Downtown Development Authority. She described how the revenue was distributed, with the City getting 16%.

Ms. Alarcon stated the City anticipated building parking garages as part of the beach redevelopment, and these would be run by the Parking Fund. Mr. Silva suggested the funds from these garages could be allocated to the General Fund or the Business Enterprise Fund. Ms. Alarcon said this would probably not occur, because they were pledge revenue to build the garages, and until those pledges were met, she did not feel this discussion could happen.

Mr. Snead suggested the City could change the proportion of the parking revenue that went to the Parking Fund and the Parks to better offset the cost of maintaining the beach.

Ms. Alarcon referred to an email she received questioning the closure of the Fort Lauderdale Beach Park during construction in the area, and stated this was a one-year project and they were working with the contractor to limit the impact. They wanted to have as much of the lot as possible open for the Fourth of July and the Boat Show.

Mr. Wood asked about increasing fines for parking violations, and Ms. Alarcon stated they had increased the fines last year, and 8% of citation revenues went toward the crossing guard program. She pointed out the City already had the highest citation rates in Florida.

Regarding Fleet, Mr. Feldman said he was concerned about fuel costs, and he was considering recommending a fuel hedging policy to the City Commission.

Motion made by Mr. Snead, seconded by Mr. Dickinson, to recommend to the City Commission that they raise the \$10 parking fee limit and allow Parking and Fleet Services to look at particular areas for event rates or beach weekend rates to raise the rates to come closer to the market rate.

Ms. Hankerson pointed out that some people were not able to pay more than \$10 for parking and this would mean only certain people could afford access to the beach. Mr. Herbst agreed that lower-income people from outside the City would be severely affected by this. Ms. Alarcon explained that the City Commission had initiated the \$10 cap for special events because they wanted to keep the parking affordable. She stated she had been asking for years to be able to increase the rate because \$10 was “giving away parking in this market” but she did not want to have the parking rate so high that it would prevent anyone from being able to attend events the City offered.

Mr. Herbst said it was remarkable that the City could generate a profit through parking fees that allowed them to pay staff and develop reserves to meet future growth. He pointed out that having adequate parking was an economic benefit to the City.

Mr. Silva suggested the motion recommend a percent increase instead of just removing the cap, but Mr. Snead did not agree.

In a voice vote, motion passed 7-2 with Mr. Silva and Ms. Hankerson opposed.

4. Revenue Generating Ideas

Mr. Cross asked about the cost of maintenance and fuel for take-home vehicles. He felt employees with take-home vehicles could be asked to share some of the costs. Ms. Alarcon stated aside from Police and Fire employees, only three City employees had take-home vehicles. She stated the Police Department did charge employees for the take-home use, based on where they lived, to recover some of that cost. Ms. Alarcon said when Police vehicles had been used around the clock, they had been required replacement every two years, but now that they were taken home, the vehicles were replaced every seven to eight years.

Mr. Cross asked about car allowances, and Mr. Feldman replied that the allowances were based on an employee’s category and how much an employee was expected to be in the field. Mr. Nesbitt said Palm Beach County had conducted a car allowance audit and determined their allowances exceeded the number of miles actually traveled. Mr. Herbst remarked that prospective employees considered a total compensation package, so negotiating away a car allowance would cause a prospective employee to

expect an equal increase in salary to compensate. He agreed that the allowance might not match the actual miles driven, but he felt this was irrelevant.

Mr. Williams suggested the City implement inter-agency or inter-city agreements to share resources and realize cost savings and asked if Mr. Feldman would consider this. Mr. Feldman stated he had experience with this, and usually, larger cities favored it to reduce their overhead, but smaller cities did not. He remarked that some smaller cities in Broward County had negative experiences when they had given up their own Police Departments and utilized the Broward Sheriff's Office because they had experienced higher costs than they anticipated.

Mr. Williams asked Mr. Feldman if he had experience with and would consider outsourcing. Mr. Feldman said there were some activities that were suitable for outsourcing, but there were other activities that even though they might be economical to outsource, he preferred to maintain control over them. Mr. Feldman stated they must look at core services and determine which were suitable for outsourcing and which were not.

Mr. Silva said the Board had discussed raising all fees annually, and asked when this would be done. He suggested the Fire Assessment Fee could also be increased to recover more of the costs; it was currently covering approximately 40%. Mr. Mason thought another Fire Assessment Fee cost study was scheduled for the following year.

Mr. Silva recalled that the Board had previously recommended the City increase all fees, but only some had been increased. Mr. Herbst explained that all fees were included in one ordinance, so a change required adoption of a new ordinance. He stated increases based on inflation must be justified, and cost studies must be performed biennially. Mr. Herbst said the Board should also consider that an assessment affected all property owners, so it had a different impact on lower-income individuals. Mr. Williams was concerned that increasing some fees would also create a negative incentive to comply.

Chair Page asked Mr. Feldman's opinion, and he stated the Fire Assessment should be increasing every year to keep up with increases in salaries. He said water and sewer fees should be increased as well, and he thought these increases should reflect those established by the Public Service Commission for private water and sewer utilities. Mr. Feldman acknowledged that these were very difficult economic times for residents, and the Commission must balance this consideration against the financial condition of the City. Mr. Feldman believed most residents would be more accepting of tax and fee increases if they understood where the money was spent to provide services.

Mr. Silva thought the Fire Assessment Fee was the easiest to increase because people could see a direct link between the Fee and the Fire Department. Mr. Silva remarked that there were a lot of people who paid no taxes, and therefore did not pay Fire Assessment Fees. Mr. Feldman explained that even if a property owner paid no taxes, per Florida statute, the Property Appraiser should be billing for non-ad valorem assessments, and said he would examine this.

5. Research & Budget Presentation: \$30 Million Shortfall

Ms. Singleton-Taylor distributed documents describing the areas in which they estimated revenue shortfalls and expenditure increases. She stated the total estimated shortfall was \$20 million. This included removing the \$8 million red light camera enforcement program, the \$4.5 million ad valorem tax reduction, and the \$4 million FPL franchise and utility taxes loss.

Ms. Singleton-Taylor described estimated expenditure increases that totaled \$9.8 million. \$1.6 million was for salary increases for Police and Fire, \$1 million was for merit increases for eligible employees, \$1.2 million was for payroll attrition, \$1 million was for salary core adjustments, \$1.3 million was for increased pension costs. Ms. Singleton-Taylor stated there was also a net \$3 million reduction for red light camera enforcement.

Mr. Cross asked if the red light camera enforcement costs included paying the people who verified the violations. Ms. Singleton-Taylor said this cost was included in the verifier's regular salary. Mr. Wood explained that they were changing the account for the red light camera enforcement; the amount that belonged to the City went into revenue and the amount due to the State was designated as such. Mr. Feldman said the revenue they had projected was not being realized because the courts were not processing the tickets as originally envisioned.

Chair Page asked Mr. Feldman how the City would cover the shortfall. Mr. Feldman said it must be through a combination of reduction of expenses, the use of revenue reserves, and potentially some revenue increases. He had not yet met with the Commission to discuss their appetite for revenue increases. Mr. Feldman stated his first level of action was to be sure their expenditures were cut as much as possible without cutting into core services. He would next investigate reasonable use of reserves. Lastly, he would consider raising revenue to make up the difference.

Mr. Cross asked about departmental consolidation, and Mr. Feldman said he had met with department heads and he anticipated submitting a reorganization plan in August and starting implementation in October. Mr. Feldman said he would reduce the

Assistant City Managers from three to two, and reduce the Assistant to the City Managers down to two.

Mr. Snead thought the tax base would decrease again next year, and asked what was being put in place in anticipation of this problem. Mr. Feldman stated they were creating five-year reports to estimate expenditures and revenues. In the short term, he said they would perform continual monitoring of performance measurements and process improvements. This would allow them to identify trends and make mid-year budget adjustments.

Mr. Silva said many of the revenue shortfalls in Ms. Singleton-Taylor's report would potentially flow into next year. He asked if Mr. Feldman would identify these and institute a mid-term correction. Mr. Feldman said they were 10 days from the end of the third quarter, so they were beyond mid-term corrections. He said his focus would be on next year.

Mr. Herbst stated their use of Reserves this year would be approximately \$6 million. He noted this would be less than in prior years because the budget had been getting progressively tighter and tighter.

Mr. Silva asked about the decrease in FPL and utility taxes. Mr. Feldman stated FPL had lowered their rates, and the City's franchise fee and utility taxes were revenue based. He also felt the mild winter caused people to use less electricity.

Mr. Wood stated his utilities bills listed his address in Oakland Park, not Fort Lauderdale, so FPL taxes were going to Oakland Park. He said they were trying to match up internal GIS, State GIS and FPL but this was a "monstrous task." Mr. Feldman said the City created the address entries in the Department of Revenue database, but they must reconcile this through the GIS system to ensure no one had re-coded addresses to another city.

Mr. Nesbitt asked if the revenue projections would change between now and when the budget was presented. Mr. Feldman believed they would change, and he hoped it would be in the City's favor. They were also working on the Water and Sewer Master Plan charge backs. He noted that historically, the Property Appraiser estimates tended to improve slightly over the initial estimates.

Mr. Feldman stated he would present the first version of the budget to the Commission on July 6 and a second version before the Commission returned from their summer break.

Regarding raising fees, Mr. Nesbitt said over 100 fees in the Building Department had been adjusted, but the Commission had determined that some increases should be phased in so the increase was not as steep. Mr. Feldman said he would focus on the General Fund more than proprietary funds such as the Building Fund.

6. Examination of Unfunded Liabilities and Restricted Reserves

Chair Page recommended moving this item to the July meeting.

Mr. Silva said he had put this item on the agenda because usually, when they discussed the amount of Reserve they would feel comfortable using to finance the budget, they talked about unrestricted reserves. In the past, those unrestricted reserves might not have taken into account all of the unfunded liabilities. He wanted to determine what unfunded liabilities they should take into consideration so the money would not be used to balance the budget.

Mr. Silva said it appeared they would not have a large capital outlay program, but there were some projects for which they must reserve "somewhere down the line" such as a new Police Department building. He felt they should put aside an amount every year toward this expense.

Mr. Williams also wanted to discuss the appropriate level of unfunded liability.

Regarding their pension plans, Mr. Herbst said Fitch's Rating Agency stated this should be at least 70% funded. Prior to the economic downturn, the average for public sector pension funds was 86% and it was now approximately 76%.

Mr. Feldman asked the Board to help develop the minimum balance requirements for all of the City's funds.

Mr. Wood said there was a new, national requirement called Statement 54 that primarily focused on governmental funds. The new standard concerned definitions for portions of the fund balance. Mr. Wood distributed a draft of the Investment Policy they were revising. He stated they were also creating a separate policy for funds set aside for other post-employment benefits.

Ms. Flynn stated changes in the stock market meant they must reconsider the types of their investments. She said they must change the policies so they could purchase securities themselves, and they were currently working on a banking RFP to use a third party custodial bank to handle the investments.

Ms. Silva wanted Mr. Feldman to consider providing the revised policy to other advisory boards, such as the Aviation and Insurance Advisory Boards, which had responsibilities regarding funds. Mr. Silva noted that the self-insurance fund had gone into a deficit this year, and an adjustment must be made to the rates. Mr. Wood said they had spoken with the Commission and had a proposal pending regarding a rate increase.

Mr. Silva asked how much the City had reserved for litigation settlements. Mr. Feldman explained that in Florida, local governments were protected by sovereign immunity and their exposure on any one case was limited to \$200,000. If a larger settlement were granted, a claims bill must be filed in the State Legislature to make the award. He said this process was very long, so if it ever occurred, the City would have ample time to plan for paying it.

7. Status Report on Budget Advisory Board Recommendations

Ms. Singleton-Taylor informed the Board that the service fees would go to the Commission on July 6. Mr. Mason stated items eight and nine had been completed in May.

Mr. Snead asked about payroll outsourcing, and Mr. Feldman explained they had held a pre-bid meeting earlier that day with a few vendors. He agreed to send Board members an email with an update.

Mr. Wood said he would provide more basic information on the different funds.

8. Old Business

None.

9. New Business

None.

10. Communication to the City Commission

[Discussed earlier]

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rates to come closer to the market rate. In a voice vote, motion passed 7-2 with Mr. Silva and Ms. Hankerson opposed.

11. Adjournment

With no further business to come before the Board, the meeting was adjourned at 8:12 p.m.

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