FINAL

BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JULY 20, 2011 – 6:00 P.M.

Board Member	Attendance	10/2010 through 9/2011 Cumulative Attendance Present	Absent
June Page, Chair	P	10	0
Anthony Timiraos, Vice Chair	P	8	2
AJ Cross	P	7	1
Nadine Hankerson	P	6	3
Fred Nesbitt	P	10	0
Alan Silva	P	9	1
Mark Snead	P	10	0
Ray Williams	P	6	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
Jack Lokiensky, FOP
Gloria LeClaire, Controller
Stanley Hawthorne, Assistant City Manager
Lee Feldman, City Manager
Marco Hausy, Audit Manager
Amanda Lebofsky, Prototype Inc.

Communications to the City Commission

Motion made by Mr. Nesbitt, seconded by Mr. Silva:
The Board recommends to the City Commission that on an interim basis, until the revised investment policy is adopted, the number of investment managers be increased from two to three and the amount they each control be increased from $50 million up to $100 million. 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 6:03 p.m.

2. Review of Meeting Minutes from June 2011

Motion made by Mr. Silva, seconded by Mr. Snead, to approve the Board's June minutes. In a voice vote, motion passed unanimously.

Mr. Nesbitt said he had spoken with someone and confirmed that even residents who did not pay property taxes still received a bill for other fees, such as a Fire Assessment.

Chair Page announced that Greg Dickinson had resigned from the Board.

3. Analysis of Operating Expenditures/Fund Balance Requirements

Mr. Wood explained how the operating expenditures and fund balances would now be broken down. He had also provided the Board with a document describing best practices for appropriate working capital and enterprise funds. Mr. Wood requested help in defining how much they should maintain in working capital. Traditionally this could be from 45 days to 180 days.

As an example, Mr. Herbst said the Parking fund had been accumulating reserves for non-specified future projects. He said once a specific project was identified, the funds would be moved into the Capital Project Fund, where it would not go away until the project was done. Mr. Snead stated therefore, any funds in working capital were for operating reserve and/or potential future unidentified or assigned capital.

Mr. Feldman stated the City was revamping the CIP process for next year. He said this year's CIP reflected next year's capital projects and every wish list for five years. He stated this did not work. They would move toward a five-year CIP that identified funding for years one through five and a project would not go into the CIP unless it was a funded project with a specific revenue source.

Mr. Silva was concerned about having enough capital and reserve for self-insurance and insurance funds. He asked where funds came from for major litigation. Mr. Feldman stated the City carried insurance for their major exposures. On the risk side, they carried a $5 million self-insured retention for all risk and another $5 million for water and sewer. He felt they were adequately covered there. For the self-insured health plan, the reserves were actuarially determined and were reflected in incurred but not reported liability.

Ms. Flynn said the investment policy had last changed in March 2008, but several denotions of investments had changed since then. She stated the prior policy specified they could only purchase securities from primary dealers. A change had been requested to allow them to use dealers/brokers associated with banks. She said from a safety standpoint, it was better.

Ms. Flynn said she wished to increase the amount each investment manager could manage because they had more expertise than she did in certain areas. Since the City had so much cash, she would also like to bring on a third investment manager. Currently, each of their two managers handled $50 million each. Ms. Flynn said to accomplish these changes, the policy needed to change; this did not require an ordinance.

Mr. Williams asked if the City had an investment advisor that oversaw execution against policy. Ms. Flynn said the investment managers had the City's policy, and she disclosed this information when she filed the annual CAFR report. Mr. Herbst said the City's pension plans had investment advisors as well as a third party that conducted a performance review.

Mr. Feldman stated the investment policy must be brought to the Commission annually, and they must report to the Commission regarding how the investments were performing. Another option was to create a separate board to review how the investment managers were performing. Mr. Williams said this board should include only people with the proper expertise in investing. Mr. Feldman's preference was to hire a firm to provide the oversight.

Mr. Timiraos suggested they look at models like those used by the Community Foundation of Broward, which uses independent consultants as a third party reviewer to recommend asset managers. He said these consultants could provide access to some institutional funds that carried much lower fees.

4. Status Report on Budget Advisory Board Recommendations

None.

5. Old Business

Budget Discussion

Mr. Feldman distributed a copy of the current draft of the budget and drew the Board's attention to the section on General Fund Shortfall. He said they previously had a $36.4 million shortfall and he described how he proposed to address this He proposed to increase the Fire Assessment fee from $135 to $160 for residences, and an 18% increase for commercial properties. He said this had been approved 3 – 2 at the City Commission, which he felt meant he could not count on it for the budget.

Mr. Feldman said they were shifting away from Payment In Lieu of Taxes in water and sewer and parking systems and going to a 3% return on investment concept for water and sewer, 2% in parking and 3% in storm water. He stated there would be a slight increase -- 6 to 6.5% -- in water and sewer rates.

Mr. Feldman said they had also eliminated funding for vacant positions, and they proposed Fire Rescue taking over interfacility transport. Additional savings could be realized by departmental funding reductions and reorganization. He said he hoped the Commission would endorse pension obligation bonds that would save the City on its annual contribution. Mr. Feldman said he also planned to draw down the fund balance $6 million. He stated he did not like to do this, but felt it was the only way to equitably bring the budget down.

Mr. Feldman said the Downtown Development Authority [DVA] had reminded him that the City Commission had pledged $10.8 million toward the Wave Streetcar Project, and the DVA wanted $2.7 million next year. Mr. Feldman was inclined to refuse this, and said he was researching what the City's obligations were.

Mr. Feldman said one of the more controversial items was the elimination of the General Fund subsidy to the Housing and Community Development Department. He said the City subsidized several programs that cost approximately $600,000 per year, $494,000 of which was tied to salaries. He felt the programs should live within their allocated administrative dollars.

Mr. Feldman stated he would put the final touches on the budget in the next few days and would then send out version two with a much more detailed budget message.

Mr. Williams said, “Every department, if it isn’t really looked at hard, builds in inefficiencies …” He did not believe the department heads had been challenged on this basis in the past, and he thought Mr. Feldman could do this next year. Mr. Feldman said he was addressing this through performance measurement and process improvement. He was currently recruiting for an Assistant to the City Manager who would be charged with enterprise wide performance monitoring and process improvement.

Mr. Feldman said the first area where they would implement process improvement was the building permit process. He stated the new assistant would help select which process to use, work through the process improvement and monitor the action items.

Mr. Feldman said he would be awarding a “golden sledgehammer” to the department that could devise a new process. This trophy would travel from department to department.

Mr. Cross asked if Mr. Feldman was considering outsourcing, and Mr. Feldman said as they went through the performance measurement process improvement, they would select operations for candidates to compare. If they were going to go out to bid, departments would be permitted to bid as well.

Regarding return on investment, Mr. Silva asked why the airport fund and sanitation fund had not been included, and noted that the airport fund was a “cash cow.” Mr. Feldman replied that the FAA was highly regulatory, and he had found no instance when the FAA had accepted a return on investment concept. He added that part of the issue was that the FAA had given the City the airport, so their feeling was that any return on investment should be given to the FAA. Mr. Feldman stated the financial situation of the sanitation funds was not one he felt comfortable taking an ROI on.

Mr. Silva asked how large a bond issue they would create for the pension obligation. Mr. Feldman stated these were not general obligations, they were special obligations because they had already incurred the liability and they were re-funding the liability at a different rate. They would also be taxable. Mr. Herbst said with the pension obligation bonds, they were locked into a fixed payment and lost flexibility regarding funding and budgeting. Mr. Feldman stated this was why he wanted to limit this to 75% of the unfunded liability so if the market improved, they would be buying down the 25%.

Mr. Snead said the $6 million drawdown on the fund Balance was a key item, and asked if the anticipated $36 million shortfall for this year would go to the fund balance. Mr. Herbst explained that the $36 million shortfall was for next year. Mr. Feldman explained that if they used the $6 million, they would still have a 19% fund balance.

Mr. Snead noted that the fund balance percentage was decreasing, but if the trend continued they would have a problem. Mr. Feldman said they had brought a resolution to the Commission stating that every two years they would analyze all fees and assessments for true cost recovery. He noted that the problem was there must be an impetus to put increases through.

Mr. Feldman said revenues must equal expenditures or they must make decisions to cut services or raise revenues. He noted they were 90% personnel driven in the General Fund, and if they cut back personnel and there was no substitute, services must be delivered in a different manner.

Mr. Silva said there were some areas Mr. Feldman put on the table that the Commissioners might be reluctant to accept unless they heard an endorsement from the Board.

Mr. Cross asked what had happened with the red light cameras. Mr. Feldman had met with the provider and informed them that the rent was too high for the cameras and there were operational issues with how the program was administered. He said the provider was scheduled to provide him with a proposal that would remedy the issues. Mr. Feld felt the program was worthwhile, but he said the City could not continue to subsidize the program while the provider made money.

Mr. Snead said the Board wanted to see what had gone into the budget to satisfy the five-year plan. Mr. Herbst said his department audited the budget every year, and this would include a review of the five-year financial plan and the assumptions.

6. New Business

Chair Page asked Mr. Hawthorne to introduce himself. Mr. Hawthorne said he had been born and raised in South Florida, had gone to school in Alabama and worked in local government, starting in Michigan and then in Lakeland Florida. Mr. Feldman said Mr. Hawthorne had been Budget Director in the City of Hollywood, Assistant City Manager and Finance Director for Tamarac and City Manager in Lauderdale Lakes.
Mr. Feldman said he had also hired Sue Toriente, who had spent 21 years in the Miami Dade County Manager's Office.

Mr. Cross stated Mr. Herbst was the most transparent and supportive member of the City's executive staff. He said he had been concerned about transparency and cooperation between the Board and the City Manager's office, and this was the first time he had felt optimism. He thanked Mr. Feldman and his staff.

Mr. Wood stated he needed the ceiling and floor suggestions for working capital at the Board's next meeting.

7. Communication to the City Commission

Discussed previously

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8. Adjournment

With no further business to come before the Board, the meeting was adjourned at 7:55 p.m.

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