FINAL

BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
AUGUST 17, 2011 – 6:00 P.M.

		10/2010 through 9/2011 Cumulative Attendance	
Board Member	**Attendance**	**Present**	**Absent**
June Page, Chair	P	11	0
Anthony Timiraos, Vice Chair	P	9	2
AJ Cross	A	7	2
Nadine Hankerson	A	6	4
Fred Nesbitt	P	11	0
Alan Silva	P	10	1
Mark Snead	P	11	0
Ray Williams	A	6	5

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
Kirk Buffington, Procurement Department
Averill Dorsett, Human Resources
Linda Cadoret, Information Technology
Fire Chief Jeff Justinak
Jerry Crossley, Human Resources
Diane Lichenstein, Research and Budget
Michael Walker, Procurement Department
Carolyn Bean, Human Resources
Stanley Hawthorne, Assistant City Manager
Lee Feldman, City Manager
Sharon Miller, Assistant City Attorney
Jamie Opperlee, Prototype Inc.

Communications to the City Commission

None.

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 July 2011

The Board lacked a quorum and could not vote on the minutes.

Chair Page announced that Mr. Cross had resigned from the Board.

3. Budget Discussion

The Board had a question regarding the $500,000 budget item for transport and Fire Chief Justinak was present to explain. Chief Justinak stated the Fire Department wanted to expand to provide non-emergency transport services. They had developed a tentative business plan and discussed this with the City Manager. Chief Justinak felt they could bring in considerable revenue by extending this service. He explained that the $500,000 was net expenses. Chief Justinak assured the Board that this new service would not adversely affect emergency service response.

Mr. Nesbitt asked about the budget item to replace the fire boat and offset the cost. Chief Justinak stated the replacement would cost $900,000 - $1.2 million. He said they would use the TripTix system for EMS billing, which would be more efficient and provide additional patent data. Mr. Feldman said they planned to adjust the fire assessment fee to make it correspond to home sizes and construction types.

Mr. Feldman said as of now, they planned to pay for the fire boat out of the General Fund, but they were also looking into grants, and they could consider using funds that remained after completion of the fire stations.

Mr. Feldman referred to a Power Point presentation slide, and noted changes in the latest version of the budget. Chair Page asked for an explanation regarding switching from Payment In Lieu Of Taxes [PILOT] to an ROI strategy for the enterprise funds. Mr. Feldman explained these were two different ways to move monies from utilities and proprietary funds into the General Fund. PILOT was paid instead of property taxes; ROI amounted to the City paying itself a dividend as a return on its investment. The ROI dividend would be 3% for water and sewer and 2% for parking and storm water. Mr.

Feldman explained they had calculated they would need a 5% water/sewer increase in the next three years to provide working capital and reserves they anticipated needing.

Mr. Timiraos asked about the $11.2 million being used to balance the shortfall that would come from the ROI. Mr. Feldman felt this amount could be sustained, or even increase, year after year.

Mr. Silva was concerned that they would continue to use the fund balance to make up shortfalls year after year. He said they should act quickly to increase the fire assessment to help reduce the need for this. Mr. Silva said they had requested the five-year projection so they could determine how to bridge the difference in the future structural balance. Mr. Feldman said erasing the gap between expenses and revenues was very important to him and they were committed to exploring ways to reduce it.

Mr. Wood announced that the City's bond rating would be held; he felt this was due to what the City was doing with the budget.

4. Report on Results of Payroll RFP

Mr. Buffington reported six firms had expressed interest, but they had only received two responses, one of which was received late and been disqualified. The only response staff had evaluated had been from ADP. Mr. Buffington noted there were several factors not provided in the ADP response, such as pension administration, that would entail additional costs. He stated using ADP would result in a net yearly increase in costs of approximately $500,000, and this did not include the additional functions. Therefore, staff recommended against outsourcing to ADP. Mr. Nesbitt was surprised that ADP could not provide a more cost effective or technologically advanced service.

Chair Page asked Mr. Herbst to look at the RFP before the Board commented.

5. OPEB Trust Fund Discussion

Mr. Silva recalled that one recommendation had been to create the trust fund using funds from the General Fund reserves and create a designated reserve. He was concerned that if this were done, it might reduce the reserves too far. Mr. Nesbitt stated the Commission had begun the process last year, putting aside $1 million for this. In two years, they would have $3 million to begin the trust fund. Mr. Nesbitt was concerned that the $3 million would be earning very low interest. Mr. Wood said part of the draft investment policy provided for keeping these funds in a separate pool.

6. Investment Policy Discussion

Mr. Wood said as of now, they had a written policy for the general fund that had a range of 10 – 15%. He said they must decide what time period to use, from 45 to 180 days.

He said all funds currently had sufficient working capital. Mr. Wood stated they would develop detailed policies for each operating fund for the Commission to approve. This would help when they went back to the bond market.

Mr. Snead thought the budget should let them know what the projected fund balance position would be at the end of 2012, but Mr. Wood explained that there were some things for which they did not budget, such as depreciation, and this could amount to millions of dollars.

Mr. Snead remarked that several enterprise funds were altering their fund balance by over 100% in the budget, and he wanted a projected update of where the numbers would be. Mr. Wood stated they had a one-year CIP and a four-year “wish list” He said they needed a structured CIP to identify funding for the projects. He noted the funding could include some of the monies Mr. Snead mentioned.

Mr. Herbst reminded the Board that there were two uses for working capital reserve: to cover disaster relief or operating supply costs while awaiting insurance reimbursement, and to cover revenue shortfalls until rate studies were performed to allow rate increases.

Mr. Hawthorne agreed to provide a fact sheet for individual funds to help the Board make their recommendations.

Mr. Silva wanted to know what types of designated reserves or restricted reserves they should consider. He said the City Commission should vote on these reserves so they could not be touched. Mr. Silva stated the Board needed to make recommendations on the unrestricted balance, and other types of designated balances.

Mr. Silva reminded the Board that the Commission had committed $10 million toward the Trolley, but these funds had not been designated. Mr. Herbst explained this agreement had been an “intent to budget” not an intent to set aside fund balance.

Mr. Snead said two things had drawn his attention in the investment policy: the three-year average maturity restriction and the derivative policy. He wondered why the maturity restriction was so low and he felt the derivative policy was very subjective and not as rigorous as the rest of the policy. Ms. Flynn explained that the derivatives also referred to bonds with call provisions. They wanted to leave the derivatives open for the money managers who were proficient in this. She said the three-year maturity restriction was required.

7. Status Report on Budget Advisory Board Recommendations

Mr. Snead noted the number of recommendations the Board had made, or communications they had sent that the Commission had never acted upon or responded to, and wanted to request a response, one way or the other. Chair Page noted that if the Commission had a concern, they should express it and give the Board an opportunity to address it.

Mr. Snead asked the results of the budget forms that departments had completed regarding outsourcing. Ms. Singleton-Taylor said they had the information but it had not been consolidated yet. Mr. Wood confirmed that a "tremendous volume of information" had been gleaned, but this had not been fully discussed with Mr. Feldman yet.

8. Old Business

Board Workshop with City Commission
[This item was discussed out of order]

Chair Page said she would indicate that the level of cooperation from staff had improved dramatically.

Mr. Nesbitt wanted to ask the Commission about their previous recommendations that had not yet been addressed. Mr. Snead wanted to remind the Commission that the five-year projection showed a continuing deficit that must be addressed, and ask what would be done to fix this.

Mr. Feldman stated the rating agencies had been provided the five-year projection, as well as budget changes, and the agencies had not only maintained the City's rating, they had also maintained their outlook as "stable." Mr. Snead said he agreed with the rating agencies, and felt they could solve the problem, but this required making tough decisions along the way. He feared the Commission would trust that Mr. Feldman would sort this out and assume that they would not need to make any hard decisions, such as raising taxes or laying off employees.

Mr. Silva agreed that the 2012 Commission must understand that there was a budget gap that they needed to address and manage. He did not feel the current Commission was focusing on the gap and how to manage it. Mr. Silva believed the gap would not be resolved by identifying inefficiencies; they would need to look at the expense side of the budget and prioritize things.

Mr. Timiraos said they were going in the right direction, but they would need to do as much or more trimming of expenses or increasing of revenue in the next four years. Mr.

Herbst said they must look at their core revenue sources and decide what services they wanted to provide and how they wanted to compensate staff.

Chair Page remarked that the Commission had avoided making difficult decisions, and this had contributed heavily to the problem. She felt the Board should push the fire assessment fee to increase revenue. Mr. Snead noted that the sooner they began to address the problem, the smaller the changes would need to be.

9. New Business

Quorum Issue

Ms. Miller explained that the Board's quorum was based on total possible members, not total appointed members. She recommended Chair Page ask the Commission to request that their quorum be based on currently appointed members, not including vacancies.

Ms. Miller explained how a Board member's absences would result in his/her being automatically off a Board, and how a member could request reinstatement.

Consolidation of Municipalities

Mr. Herbst said many areas around the country were considering consolidation of municipalities to save administrative support costs. He remarked that many local commissioners opposed this, mostly for ego reasons.

10. Adjournment

With no further business to come before the Board, the meeting was adjourned at 8:21 p.m.

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