FINAL

BUDGET ADVISORY BOARD
SPECIAL MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JULY 26, 2012 – 6:00 P.M.

Board Member	Attendance
June Page, Chair	P
Mark Snead, Vice Chair	A
Brady Cobb	A
AJ Cross	P
Nadine Hankerson	A
Fred Nesbitt	A
Bryson Ridgway	P
Drew Saito	P
Anthony Timiraos	P
Andrew Russo	P

Personnel Attending

Stanley Hawthorne, Assistant City Manager
Emilie Smith, Budget Manager
Stacey Balkaran, City Manager's office
Lee Feldman, City Manager
Frank Adderley, Chief of Police
Kirk Buffington, Deputy Director of Finance
Marco Hausy. Audit Manager
Chaz Adams, Public Information Office
Phil Thornburg, Parks and Recreation
Diana Alarcon, Transportation and Mobility Director
Jeff Justinak, Fire Chief, Fire Rescue
Paul Vanden Berge, Department Budget Coordinator, Fire Rescue
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

Chair Page called the meeting of the Budget Advisory Board to order at 6:00 p.m.

2. Roll Call

Ms. Opperlee called roll and determined a quorum was present.

3. Budget Presentation/Discussion

Mr. Hawthorne said Ms. Smith would discuss expenditures and he would cover revenues. He reported that representatives were present from every department to provide input and clarification as the Board desired. He stated the City Auditor would have recommendations at the Board's August 15 meeting.

Department representatives introduced themselves in turn.

Ms. Smith, Mr. Hawthorne and Mr. Feldman gave a Power Point presentation, a copy of which is attached to these minutes for the public record.

Mr. Cross asked how long the City could maintain the current millage rate until they ran out of additional revenue generating opportunities. Mr. Feldman explained that if property values increased, they might not need to increase the millage. This year, they had experienced a 1.7% growth in property values. If there was an increase next year of six or seven percent, this could provide sufficient increase in revenue to avoid an increase in the millage rate.

Mr. Feldman said once the City had advertised the maximum millage rate, the only way to change it was to send out first class mail to all property owners at a cost of approximately $150,000. He felt that for all practical purposes, the millage rate and Fire Assessment Fees were set for this year.

Mr. Feldman said the State legislature had changed the requirement for real estate agents operating from one office to have individual licenses; multiple agents could now work under one license. He suspected that doctors, attorneys and other professionals would seek the same exemption. He explained to Chair Page that this was never really a license, it was a business tax. Mr. Feldman stated the City could increase the business tax receipt rate by 5% every other year, and this required a super majority vote of the Commission. He thought the tax had not been increased since 1998.

Mr. Cross suggested outsourcing fine collection for Code Enforcement to generate more revenue. Mr. Hausy reported the City had over $76 million in Code Enforcement liens. Mr. Feldman was not sure how successful outsourcing the fine collection had been for municipalities that used it. He remarked on how the fines could "get out of hand" when the fine amount exceed the value of a home. Mr. Feldman said they needed to identify the more important liens and determine whether they were valid and warranted further action, which required Commission approval.

Chair Page asked if the Commission had adopted the Board's recommendation to maintain two month's operating reserve. Mr. Hawthorne was unsure if the Commission had formally adopted the recommendation, but he said it would be part of the financial integrity principles.

Mr. Timiraos asked about selling unused City-owned property, and Mr. Feldman explained they were in the process of identifying them all, since they were sometimes listed under different names. There were 33 parcels in the name of the Northwest Neighborhood Improvement District, which had not met since 2009. He would recommend abolishing the Northwest Neighborhood Improvement District and transferring the properties to the Northwest CRA so they could maintain them until the City determined how to dispose of them. Mr. Feldman noted there was little unused property with commercial value. They were considering an RFP for a private realtor to determine the marketability of all unused City-owned properties.

Mr. Ridgeway asked about the reserve balance and Mr. Feldman said the goal was to budget a balance of at least 16.6%. If they needed to use the reserve because of a hurricane, they would re-build the reserve again over time. Mr. Cross felt two month's reserve might not be enough and wanted to increase it.

Chair Page asked Mr. Feldman if he might dip further into reserves this year than he had anticipated. Mr. Feldman said he did not, unless there was an unfavorable settlement on the Police/Fire dispatch issue; if there was, the City could be required to pay for services they not paid for since January. This cost had not been included in the fund balance calculation, nor had they included the costs for next year. Mr. Hawthorne pointed out that the $4.8 million fund balance appropriation was for non-recurring expenditures.

Mr. Feldman explained to Mr. Ridgeway that the unfunded liability incurred by the early retirements would be amortized over five years; as of year six, there would be a large reduction in the cost to fund the GERS.

Mr. Feldman stated the article in the Sun-Sentinel had misrepresented the actions he was asking the Commission to consider regarding the pension obligation bonds [POB]. The article had made it seem that the City wanted to "borrow money so we can go play the stock market and get a better return than on the rate that we're borrowing." Mr. Feldman said this was completely inaccurate and explained that because the pension plan was not fully funded, the City was responsible to pay the plan 7.5% on the unfunded liability. In this case, Mr. Feldman said they would use the bonds to fund 75% or $300 million. This allowed them to avoid paying the 7.5% interest on the $300 million and in exchange they would pay 3.5% for the bond, saving them 4%. Mr. Feldman had reminded the Commission that this was not new debt, it was refinancing existing debt. They were not “playing the market;” the goal was arbitrage savings.

Mr. Russo asked how this could affect the City’s bond rating and Mr. Feldman said Moody’s had indicated that the issuance of POBs would be rating neutral.

Mr. Feldman said the Commission wanted the Board’s input on the POBs and staff would provide additional information if they needed it in order to make a recommendation.

Mr. Cross asked if issuing POBs would become an ongoing practice and Mr. Feldman responded that he did not see the City issuing more, provided their pension plans did not provide employees additional benefits that created additional unfunded liability down the road.

Mr. Feldman thought the reason a lot of cities were in this position was because when the market was outperforming the actual rate of return, cities’ contributions were next to nothing and they were able to provide additional benefits to be more competitive. They were also able to amortize costs over 20 or 30 years and when the market decreased, cities had to fund-up their plans.

Mr. Saito asked to see the user fee cost allocation study and Ms. Smith agreed to provide it. Mr. Feldman recalled that the Commission had adopted the Board’s recommendation to examine user fess every two years, with a goal of full cost recovery, but he noted that, “as you saw with the Fire Assessment, there doesn’t seem to be the action to do that.” He stated he would rather not fund a user fee study if they did not intend to implement full cost recovery. Mr. Feldman informed Mr. Timiraos that they had raised water and sewer fees last year, as well as parking rates.

Mr. Cross asked if the City had implemented policies to help alleviate fuel price increases. Mr. Feldman said they were in the process of fleet repurposing to ensure people drove the right type of vehicles. They were also considering the most fuel efficient vehicles for future purchase. Mr. Feldman stated the City was initiating a fuel hedging program and matching departmental fuel budgets to fleet’s anticipations. Ms. Smith added that they were also enforcing the “no idling” policy, where appropriate.

Mr. Feldman informed the Board that the budget did not include an anticipated request to fund the first $1.5 million of the $10.5 million commitment to the Wave and he was considering funding sources. He was optimistic that the RTA would get the Small Starts grant from the Federal Transit Administration.

At 8 pm the Board took a brief break.

Mr. Ridgeway asked about leasing City buildings instead of constructing new ones and Mr. Feldman said schools often did this. He noted that this moved the cost of capitalization to the private sector, and he felt if they could afford to borrow money, they should build it themselves. This avoided the additional costs in the lease payment for the private sector's profit.

Chair Page asked Mr. Feldman where they could make up the budget shortfall. Mr. Feldman suggested they postpone painting City Hall. He said they were examining all one-time expenditures to consider which they could defer. He said they would maximize the use of reserves, and probably eliminate the $1 million OPEB payment. Capital projects could be trimmed as well.

Mr. Timiraos wondered why the Fire Assessment Fee increase had been opposed by the Commission and Mr. Feldman replied the Commission had not wanted to raise a fee or tax rate that would affect the pocketbooks of their neighbors. He felt that elected officials were more amenable to increasing fees for services that were tangible, such as water and sewer services. He remarked that most people did not understand the intangible benefit of fire suppression preparedness. Mr. Feldman believed the Commission did not feel they had not tightened expenditures enough and this was another reason they had opposed raising the Fire Assessment Fee.

Mr. Timiraos felt they were being short-sighted and if the Commission did not want to increase taxes, they must cut services. Mr. Cross wanted to discuss revenue generating opportunities.

Ms. Smith reminded the Board that the fiscal capacity study was underway and they were planning a user fee study that would be implemented within the next year. These were two ways they were being proactive about revenues.

Mr. Ridgeway felt one way to demonstrate that belt tightening had been done would be to offer solutions to bridge the gap; there may be ways to cut the expenses that might not be palatable to the Commission. He wanted to consider outsourcing non-critical services such as parking monitoring. Mr. Feldman suggested that individual Board members meet with department staff to review their budgets and report back to the

Board. They could also let the Commission know that they had reviewed individual department budgets. Board members determined who would meet with which departments and Ms. Smith agreed to provide contact information.

Mr. Feldman stated the Board's position on POBs would be important to the Commission. At their August 8 meeting, he wanted them to discuss this as well as the confidential employees issue and make recommendations.

Mr. Cross wished to educate people about the POBs and counteract the misinformation. Mr. Feldman suggested an hour-long session with their financial advisors and actuary.

4. Old Business

No discussion.

5. Communication to/from the City Commission

None.

For the Good of the City

No discussion

Other discussion items

No discussion.

8. Adjournment

The meeting was adjourned at 9:06 pm.

Documents:
FY 2013 Proposed Budget Presentation

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