

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
AUGUST 15, 2012 – 6:00 P.M.

Board Member	Attendance	10/2011 through 9/2012	
		Cumulative Attendance Present	Absent
June Page, Chair	P	10	1
Mark Snead, Vice Chair	A	9	2
Brady Cobb	P	5	4
AJ Cross	A	10	1
Nadine Hankerson	A	7	4
Fred Nesbitt	P	10	1
Bryson Ridgway	P	4	0
Andrew Russo	P	6	3
Drew Saito	A	9	2
Anthony Timiraos	P	6	4

Personnel Attending

Douglas R. Wood, Director of Finance
Stanley Hawthorne, Assistant City Manager
Emilie Smith, Budget Manager
John Rencher, Fleet Services
Matthew Cobb, Risk Management
Albert Carbon, Director of Public Works
Bobbi Williams, Administrative Assistant
Marco Hausy, Audit Manager
Lee Feldman, City Manager [by phone]
Frank Adderley, Chief of Police
Jeff Justinak, Fire Chief
Chuck Grimsley, Insurance Advisory Board
Denny Stone, Risk Management
Mike Maier, Information Technology
John Herbst, City Auditor
Jamie Opperee, 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.

Call to Order

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

Roll Call

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

1. Review of Internal Service Funds

- Fund Summaries
- Highlights of Funding for FY 2013

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

Regarding the radio upgrades, Mr. Feldman said this also depended on the City conflict resolution with the County; the City believed that under Section 5.02 of the County Charter, the County bore the responsibility to pay for the radio system but the County disagreed.

Mr. Feldman said they were investigating an employee health clinic for which they would pay a flat rate per plan member employee. These were becoming very popular because they reduced office visit and pharmaceutical dispensing costs. Chair Page noted that this saved employees' time as well. Mr. Stone said they had raised the co-pay for emergency room visits from \$50 to \$200 and informed employees about urgent care facilities. Mr. Ridgeway noted that employee education was important.

Chuck Grimsley, Insurance Advisory Board member, said the Insurance Advisory Board had been told that the \$10 million that had been taken to fund the budget included the promise that if there was a hurricane, the deductible would be available from the General Revenue account. Mr. Feldman explained that they had the ability to borrow between funds in an emergency, provided that they replace the money in the future. A study had shown that the Risk Fund was overfunded.

Mr. Stone explained how the self-insurance rates were calculated. Mr. Feldman stated they were required by State rules to maintain 60 days' worth of claims as a safe harbor

reserve. He said the reserve was getting low so premiums would need to be increased next year.

2. FY 2013 Community Investment Plan (CIP) Projects

Mr. Feldman explained the Pavement Condition Index [PCI] rating system that was used to prioritize road work.

Mr. Ridgeway asked the timeline for the North Beach parking lot. Mr. Feldman said this plan included creating a parking lot where the Natchez was located, but the City did not own the property yet. He explained that the owner's representative wanted more for the property than it was worth and this property might be a candidate for eminent domain. Mr. Feldman described different "taking" procedures.

Mr. Ridgeway asked about the bridge repair schedule and Mr. Feldman explained that FDOT performed inspections and determined when bridges should be looked at.

Ms. Smith explained to Chair Page that park improvements and other quality of life projects that had been requested were being deferred. She said these were primarily in the General Fund.

Mr. Ridgeway asked how long it would take for the new fleet purchasing plan to provide cost savings. Mr. Feldman described the program, which entailed purchasing used vehicles at least 3% below the Manheim price index and selling them one year later on the open market. They would use the money from the sales to purchase new vehicles. Mr. Rencher stated the average price of the cars was approximately \$14,000. They were beginning the program with unmarked police vehicles and would expand to more of the fleet if the program proved successful. Mr. Feldman said this was more about cost avoidance than cost saving.

3. City Auditor Discussion of FY 2013 Proposed Budget

Mr. Herbst informed the Board that he was still getting feedback and he would provide his report to Board members as soon as it was available.

4. Recommendations to City Commission on FY 2013 Proposed Budget

Mr. Feldman confirmed that he had a balanced budget to present to the City Commission and distributed the FY 2013 General Fund Preliminary Balancing Report. He referred to the report and explained how he had balanced the budget.

Motion made by Mr. Nesbitt to state the BAB supports the balanced budget submitted by the City Manager and recommends its adoption by the City Commission.

Mr. Herbst asked the Board to postpone their motion until they read his report. He noted that his report would deal with “big picture” and policy issues, not fine points. Mr. Nesbitt did not want to debate the budget with the City Commission at the joint workshop. Mr. Timiraos agreed the Board should approve the budget based on the current structure. Mr. Cobb agreed, and said for the next budget cycle, the Board could deal with more details. Mr. Hawthorne suggested the Board could approve the budget, subject to the City Auditor’s review. Mr. Russo said after this budget was passed, the Board should discuss how deep into details they wanted to go. Mr. Timiraos said he was not certain he would approve this budget because for the past four years, the City Commission had “completely ignored” every single recommendation they had made. He noted they were deferring maintenance issues to future years instead of addressing them now.

Ms. Smith said for the FY 2013 proposed budget, they had drawn down \$4.8 million from the reserves and Mr. Feldman noted this was they were still maintaining more than the two-month reserve. Chair Page wanted to take away the City Commission’s ability to dip into the reserves for ongoing operations by an ordinance. Mr. Feldman said this year, they had been very conscious about tying the use of reserves to one-time expenditures, with the exception of the \$5 million reduction in insurance premiums which was, in essence, taking \$5 million from that reserve. He admitted this was not good fiscal strategy.

Mr. Hawthorne stated they were seeking the Board’s endorsement of the budget. He said the Board could take a position later regarding policy issues. Chair Page felt it was important to pass the motion endorsing this budget, but that the Board should also provide their opinion regarding the integrity of the budget. Mr. Nesbitt restated his motion.

Mr. Ridgeway admitted he did not understand the risk associated with the POB. He said he had voted to approve the POB at the previous meeting without understanding the risks.

Mr. Russo seconded Mr. Nesbitt’s motion. In a voice vote, motion passed 5-1 with Mr. Timiraos opposed.

Mr. Nesbitt stated his next recommendation: The BAB wishes to express its disappointment that the City Commission eliminated the flexibility to consider increased revenues by voting not to keep open the options of a slight increase in the Fire Assessment Fee and the millage rate.

Mr. Cobb said he objected to the City Commission handcuffing the Board's or the City Manager's ability to discuss increasing the Fire Assessment fee. Mr. Russo wondered if the Board needed motions, or if these ideas could just be part of a statement to accompany the budget.

Mr. Nesbitt stated his next recommendation: The BAB finds that one of the deterrents to greater efficiency in department operations is outdated technology and therefore recommends the City Commission make a significant capital investment in updating and expanding technology throughout City government.

Mr. Russo stated there was already a strategy to rectify this. Chair Page agreed to add this to her opening statement at the joint workshop.

Mr. Nesbitt stated his next recommendation: The BAB applauds the City Commission for their policy of reducing staff through not filling vacant positions and the early retirement incentive, but now believes that further blanket reductions could be harmful to the quality of services provided to the residents of Fort Lauderdale.

The Board agreed to this statement in principle.

Mr. Nesbitt stated his next recommendation: The BAB recognizes the age and physical condition of the Police headquarters building and recommends the City Commission develop a plan to replace this building in the next five years.

Mr. Ridgeway said he would abstain from stating an opinion because he was not certain. Mr. Feldman confirmed that the building was old, it was a maintenance nightmare and it was meant for a smaller department. Mr. Feldman indicated the new building would be financed through a general obligation bond. He suggested they could build one building to house both City Hall and the Police Department. Mr. Feldman said in the fall, the Board could tour the Police station and other old facilities and then make a recommendation.

Mr. Feldman said they were one of the few larger counties that had not taken advantage of the additional \$.01 sales tax to pay for infrastructure. This additional tax would bring in \$15 million per year for capital infrastructure, which was bondable over the life of the tax. Mr. Nesbitt suggested they put this discussion on the Board's agenda later in the year.

Mr. Nesbitt stated his next recommendation: The BAB supports providing the opportunity for residents and visitors to support the horses of the horse patrol by accepting voluntary donations toward their care and feeding.

Chief Adderley felt they could work on changing this. Mr. Feldman said the City's policy was that all donations must be accepted by the City Commission.

Ms. Smith distributed the draft agenda she had created for the joint workshop. Mr. Cobb asked about the RFP for payroll. Mr. Hawthorne said the Board would be provided with an update at their next regular meeting.

The Board took a brief break.

5. Review of Financial Integrity Principles for Recommendation to City Commission

- Structurally Balanced Budget
- Estimating Conference Process
- Undesignated Fund Balance

Ms. Smith distributed a copy of the Financial Integrity Principles and Policies document. Mr. Hawthorne said they hoped to implement these principles for FY 2014.

Regarding the first principle/policy: Structurally Balanced Budget, Mr. Feldman stated it was possible to have a fiscal integrity ordinance and this had been done in Miami Beach. Mr. Feldman felt the point was to get policies in place and to memorialize them for the future.

Motion made by Mr. Cobb, seconded by Mr. Ridgeway, to recommend the City pass an ordinance requiring them to have a structurally balanced budget in accordance with this principle. In a voice vote, motion passed unanimously.

Regarding the second principle/policy: Estimating Conference Process, Mr. Feldman explained that this would establish how much revenue was on the table earlier in the process and would be the basis for building into the budget the appropriate tax rate, assessment levels and fees. Mr. Nesbitt felt this just added another layer of bureaucracy. Mr. Feldman admitted it did add another layer of bureaucracy, but explained that this was concerned more with the global policy level, identifying where capacity was and where they were off the mark regarding revenue sources and why. He said staff was already performing continual revenue estimating; this just formalized the process and brought in "more sets of eyes."

Motion made by Mr. Cobb, seconded by Mr. Russo, to approve the Financial Integrity Principle/Policy regarding the Estimating Conference Process as stated. In a voice vote, motion passed 5 – 1 with Mr. Nesbitt opposed.

Regarding the third principle/policy: Undesignated Fund Balance, Mr. Feldman said they were trying to memorialize that reserves were for rainy days, and there must be a plan to restore the reserves to where they needed to be. Ms. Smith explained that the second paragraph indicated that encumbrances would be rolled over year to year as contracts crossed fiscal years. Chair Page did not feel the City Commission would understand this language. Mr. Hawthorne and Ms. Smith agreed to work on the language.

Mr. Feldman agreed to send Board members a copy of the City of Miami's Fiscal Integrity ordinance.

6. Agenda for Joint Meeting with City Commission

Chair Page asked Mr. Feldman to review the risks associated with the Pension Obligations bonds. Mr. Feldman stated there was a risk of not getting the 3.8% return. He informed the Board that they had asked both pension boards to analyze the likelihood of averaging over 3.8% over the next 20 years and both had determined the likelihood was over 80%. The next risk was associated with entering risk on the balance sheet where it had not been entered before, i.e., converting the unfunded liability to fixed debt. Mr. Feldman noted that GASB 68 would require them to enter it on the balance sheet anyway, and if anything, it would not be entered at the discounted rate GASB would require. Mr. Feldman said the next type of risk was the moral or political risk of fully funding the pension plan because the unions would immediately say, "Your plan is fully funded; time for us to get more benefits" and the City Commission would respond by offering more benefits. Mr. Feldman stated they would maintain \$100 million of unfunded liability, so it could not be said the liability was fully funded.

Mr. Feldman explained that if they did not get a 3.8% return, the unfunded liability would grow even more and they would be paying interest on the new unfunded liability at 7.75%. He said they had created a solid arbitrage deal that would provide them \$93 million worth of present value savings. Mr. Herbst reminded the Board that the City's debt capacity was more than adequate to meet their needs. He said rating agencies viewed this as proactive management of the pension issue. Mr. Herbst felt 3.8% was fully achievable.

Mr. Feldman explained they were trying to lower the interest payment. He added that cities got into trouble issuing POBs for a longer period than the remaining amortization of the debt, which extended their debt, but the City was matching the amortization.

Mr. Cobb asked if there was any negotiation with the collective bargaining units for how to address this issue going forward. Mr. Feldman stated the discussions the City had regarding pensions in the last year had “really opened the eyes of policy makers” with regard to the unfunded liability and how it could be dealt with in the future, and he believed pension reform would be on the table.

The Board agreed to move item 3c to 3a on the joint workshop agenda.

7. Next Joint Meeting with Budget Advisory Board and City Commission

- Monday, August 27, 2012, 7 pm

8. Adjournment

The meeting was adjourned at 8:57 pm.

Documents:

FY 2013 General Fund Preliminary Balancing Report
Draft agenda for BAB/City Commission 8/27 workshop
Financial Integrity Principles and Policies

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