FINAL

BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
SEPTEMBER 12, 2012 – 6:00 P.M.

		10/2011 through 9/2012 Cumulative Attendance	
Board Member	**Attendance**	**Present**	**Absent**
June Page, Chair	P	11	1
Brady Cobb	P	6	4
AJ Cross	P	11	1
Nadine Hankerson	A	7	5
Fred Nesbitt	P	11	1
Bryson Ridgway	P	5	0
Andrew Russo	P	7	3
Drew Saito	P	10	2
Anthony Timiraos	P	7	4

Personnel Attending

Vice Mayor Charlotte Rodstrom
City Attorney Harry Stewart
Charmaine Eccles, Budget Department and Board Liaison
Douglas R. Wood, Director of Finance
Darlene Pfeiffer, Transportation and Mobility
Stanley Hawthorne, Assistant City Manager
Emilie Smith, Budget Manager
Marco Hausy. Audit Manager
Lee Feldman, City Manager
John Herbst, City Auditor
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. Approval of Meeting Minutes

a. July 26, 2012

Motion made by Mr. Cobb, seconded by Mr. Nesbitt, to approve the minutes of the Board's July 26, 2012 meeting. In a voice vote, motion passed unanimously.

b. August 1, 2012

Motion made by Mr. Cobb, seconded by Mr. Cross, to approve the minutes of the Board's August 1, 2012 meeting. In a voice vote, motion passed unanimously.

c. August 8, 2012

Motion made by Mr. Nesbitt, seconded by Mr. Cobb, to approve the minutes of the Board's August 8, 2012 meeting. In a voice vote, motion passed unanimously.

d. August 15, 2012

Mr. Timiraos pointed out that he had voted against approving the City's budget at the August 5 meeting.

Motion made by Mr. Timiraos, seconded by Mr. Russo, to approve the minutes of the Board's August 15, 2012 meeting as amended. In a voice vote, motion passed unanimously.

4. Old Business

a. FY 2013 Tentative Budget Update

Mr. Feldman distributed a document describing the General Fund Budget Amendments to Board members and explained that he and Mr. Herbst had addressed three critical funding issues. The first was the Interfacility Transport Revenue, for $1.3 million, which Mr. Feldman and Mr. Herbst had agreed to remove. The second issue was overstating FPL Franchise Fees, and they had agreed to reduce the revenue amount to $500,000. The third was the development of 911 Dispatch. Mr. Feldman would recommend to the City Commission that they put money into the budget to cover paying the Sheriff's Office to provide the service for six months, and then for the City to take over the operation on April 1, 2013.

Mr. Herbst confirmed that he and Mr. Feldman had discussed the issues in Mr. Herbst's budget memo and had agreed that there were issues that they either could not quantify or could not be certain when they would hit. These were not included as solid numbers in the budget, but they wanted everyone to be aware of them. The items on which they had agreed were measureable and certain to occur in the immediate timeframe.

Mr. Feldman explained the other changes to revenue and expenditures in the General Fund listed in his report.

Regarding the dispatch issue, Mr. Feldman said the money he planned to return to the Fund Balance for the Sheriff to provide the service would be used to offset the incremental cost of the Sheriff versus the City providing the service. Mr. Feldman said he had decided to provide the service in-house because he felt they could do it cheaper. He still felt the County should pay for the service, but they could not wait any longer for this to be decided.

Mr. Feldman said they were also dealing with the County-wide dispatch concept, which would save all participating municipalities via economies of scale. He noted that Fort Lauderdale was integral to the County's plan for a consolidated system, but he had determined that the City could still do it cheaper. And if the City pulled out, the system might not work for the County. Mr. Feldman explained to Mr. Cobb that the City would not take over the Sheriff's personnel; personnel hired would become City employees.

Mr. Feldman said they could consider consolidation of services with other municipalities, but he was certain that BSO would not allow Fort Lauderdale to dispatch BSO emergency vehicles, which some municipalities used.

Mr. Herbst said his office had been working with the Budget Office to validate Mr. Feldman's report and he would issue an updated memo to the BAB and the City Commission by the end of the week.

Regarding the Police laptops, Mr. Feldman explained that they were using the Law Enforcement Trust Fund [LETF] to pay for the new field reporting system and he would ask the City Attorney if new laptops could also be paid for out of the LETF. If not, he would need to identify funding later in the year when they needed to purchase the laptops.

b. 401(a) Pension for Non-Classified Employees

Mr. Feldman explained that they had recognized that the GERS contribution rate was growing and would become unsustainable for 24 employees. He explained that all new employees hired after 2009 had a 9% contribution to their 401(a) combined contribution plan, except for Police and Fire, who were still in a defined contribution plan. Certain non-classified employees were in a plan that paralleled the GERS contribution and the contribution was originally designed to create parity between non-classified people who were in the plan and who were in the 401(a). In August, Mr. Feldman had recommended to the City Commission that the contribution be reset to 20-22% and the Commission had expressed a desire for the contribution to be lower, though no specific number had been agreed upon. At their joint meeting, the Commission had asked the BAB to discuss this.

Mr. Feldman stated there were two issues: the first was what rate to set for all new employees in this class and the second was what to do with the 24 employees currently in the plan at the increasing rate.

Mr. Stewart said ¼ of the 24 employees worked for him and were attorneys. He stated three of the six attorneys who worked for him had opted for the 401(a) plan when they were hired. Mr. Stewart said they all recognized that there must be a cap on what the 401(a) would allow. He felt a reasonable cap would be 19.84%, which represented the actual cost of the GERS program as a percentage of payroll, excluding the unfunded portion. He said his affected employees believed this was a fair number.

Mr. Stewart's recommendation was to cap the 401(a) contribution at 19.84%. Then they must decide what to do about future hires. Chair Page asked if Mr. Stewart felt his employees would find it acceptable to receive a wage increase to offset the difference in contribution. Mr. Stewart believed they would, because they had a 457 plan that would provide the employees the same benefit.

Mr. Feldman pointed out that simply adjusting the contribution would result in a reduction of total compensation, so there should be corresponding adjustments to salaries to make these employees whole.

Mr. Cobb stated he preferred compensation to be front-loaded. He felt they should try to make compensation more comparable to the private sector. He said the total compensation for legal positions in the report provided by Ms. Smith were higher in many respects than those in the private sector. Mr. Stewart stated reducing the contribution to 19.84% would result in a total reduction in the overall benefit package by $7,500 on average. At 18%, the average impact would be $9,300; at 9%, the impact would be $18,000.

Mr. Feldman stated the rate could be anything, because when he made offers to staff, he adjusted salary offers to be commensurate with the pension benefits. Mr. Herbst explained that he had recruited two employees away from other cities with pension plans, which made Fort Lauderdale less competitive in that regard. When he recruited from the private sector, he was competing with companies that offered bonuses, profit sharing and stock options, which the City also did not offer. Mr. Herbst felt the 9% 401(a) contribution for new hires was competitive with the private sector, provided he could adjust the starting salary accordingly. He felt there was support for setting the cap at 19.84% but he strongly disagreed with imposing pay cuts on these 24 employees. Mr. Herbst pointed out that the total dollar figure they were talking about was a “rounding error” in terms of the total budget. He agreed this was more a perception issue and they should not address it in a way that harmed employees who had come to work for the City based on promises made.

Chair Page referred to a letter sent to her from Mr. Cross disclosing that he was a candidate for the Account Manager position in the Human Resources Department in Fort Lauderdale. She asked the Board to approve a motion allowing Mr. Cross to participate in discussions and vote on this item so in the future there was no concern that the Board had any biases.

Motion made by Mr. Ridgeway, seconded by Mr. Nesbitt, to allow Mr. Cross to participate in discussion and voting on this item. In a voice vote, motion passed 7-1 with Mr. Russo opposed.

Mr. Saito said he would not feel comfortable making a decision this evening because he felt unqualified to make a determination. Chair Page agreed, and suggested the Board could decide not to weigh in on the issue. Mr. Cobb agreed with Mr. Saito, but stated the cut to the contribution must be made by the City Commission. He said he much preferred to see benefits front-loaded because it was a “much better way of attracting talent in a manner that’s not making your next generation pay for it.”

Vice Mayor Rodstrom acknowledged that the Commission must ultimately make the decision, but they did want the BAB’s input.

Chair Page was concerned about keeping the 24 employees whole and not forcing them to suffer a reduction in total compensation.

Mr. Russo felt that back-loading compensation was not a transparent way to achieve parity.

Mr. Herbst said pension reform had been an issue for the City Commission for years and closing the GERS plan was one way they had addressed it. Increasing the contribution rate for Police and Fire was another step. He felt that moving these individuals to a fixed rate would provide growing savings because without a change, the contribution would continue to grow for the foreseeable future.

Mr. Hawthorne explained that the City's pay plans were market-based. He felt the City probably needed to update their market, which would cost money.

Mr. Saito asked if the City compared compensation to public, private or a combination of both. Mr. Herbst said he looked at both, because his employees could move between the public and private sector. He pointed out that he had one thing to offer potential employees that the private sector could not: life/work balance.

Mr. Cross read a statement from the letter he had sent to Chair Page indicating the possible negative effect any decision might have on current and future employees and then on the City as an employer. Mr. Cross felt they should be discussing the entire City retirement system, not just one small group.

Mr. Nesbitt distributed a document showing a comparison of plan contributions and stated 15.02% of payroll to add a year of service was the accurate cost of the pension plan after the change. Mr. Nesbitt agreed that the City must honor its contract with the 24 employees. He also felt that the contract between the employees' collective bargaining agent and the City should not be violated. Forcing employees to take pay cuts or furlough days was a violation of that contract. Mr. Nesbitt said his concern about front-loading was retaining people with high skill sets. He felt that pensions helped ensure retention of these employees.

Mr. Herbst remarked that studies showed that people with a defined contribution plan had significantly higher mobility than those with a pension plan. The pension plan became "golden handcuffs" because of its lack of portability.

Mr. Feldman agreed with keeping new employees at 9%. He said philosophically, as long as employees were kept whole, the percentage for the 24 employees was arbitrary as long as the total package was the same. If the contribution rate were 19.89% for the 24 employees, the increase in salary to keep an employee whole would be 6.5%. If it were 15%, the increase in salary to keep an employee whole would be 11.05%.

Mr. Timiraos said the issue was simple: the City must abide by the commitments made to the current employees. He said he was embarrassed the Board had spent so much time discussing such a small matter, when they should be talking about the bigger issues, such as the continued use of reserves to balance the budget.

Mr. Ridgeway agreed with the City keeping its word regarding the contract, but stated there were unintended consequences. The City had a fiduciary responsibility to provide the highest level of service at the lowest cost. He said if someone who the City had hired was "way out of line on compensation and you can hire someone of equal talent today under the new 9% program, I think there's a fiduciary responsibility for the City to approach and find those people." He said the City could notify an employee that they were seeking someone to replace him with a certain compensation package and if the employee was willing to accept the same, the search would be unnecessary.

Chair Page stated people in the private sector took jobs based on what they would be paid now and there was a different mindset among people who worked in the public sector. She remarked that she had seen many CEOs who were with companies for a very long time and were "company men." She said talent was recognized and brought up through a company.

Mr. Hawthorne reminded the Board that they had made a recommendation to the Commission regarding pay for the confidential employees recently. He recalled that when Mr. Feldman came to the City, he had inherited employees who had been demoralized for four years because of internal equity issues. Mr. Feldman had made a recommendation to the City Commission and the Commission was addressing it. Mr. Hawthorne said employees were trusting that the Board would make a fair recommendation that the City Commission would heed.

Mr. Cobb asked Mr. Herbst how to balance the loss of the contribution regarding salary. Mr. Herbst said, "If you take a dollar away in terms of the 401(a) contribution, you need to add a dollar increase in terms of salary." He did not want his staff suffer a decrease in pay to rectify what he considered to be a perception issue on the 401(a). Mr. Stewart said he agreed this was how it *ought* to be, but he did not think this was how it *would* be. If the 24 employees received the 19.84% contribution, they would each lose approximately $7,500 from their total packages and he felt "if they split that with the City 50/50, they'd be doing really well." Mr. Feldman preferred that the salary plus retirement contribution should be the same. He explained that this was not technically dollar-for-dollar because when the salary changed, the contribution changed slightly.

Motion made by Mr. Timiraos, seconded by Mr. Cobb to recommend that the City negotiate compensation of new non-classified employees to include the same contribution rate currently offered to other classified employees in the 401(a) plan. In a voice vote, motion passed 8-0.

Motion made by Mr. Ridgeway, seconded by Mr. Saito, to recommend the City reduce the 401(a) contribution rate for non-classified employees to 19.89% and to offset the reduction in total compensation by an increase in salary. In a voice vote, motion passed 8-0.

5. Alternate Date for Quarterly Joint Budget Workshop:

a. November 7

Mr. Nesbitt noted that the new BAB would meet in mid-October and he suggested they would not have that much to discuss in November. Chair Page pointed out that the Board's makeup was not going to change significantly.

6. Communication to the City Commission

None.

Other Discussion

Mr. Russo referred to a memo from Vice Mayor Rodstrom indicating that monies from the Pension Obligation Bond would be invested in the stock market, which was not what the Board had discussed. He had understood that the monies would go to pay down the unfunded liability. Mr. Feldman explained that the monies would go to the pension plans to pay down the unfunded liability in each of the plans. They then had cash to invest however they managed the portfolios.

Chair Page announced that this was Mr. Timiraos's last meeting and thanked him for his service. She also stated Mr. Snead had resigned from the Board.

7. Adjournment

The meeting was adjourned at 8:30 pm.

Documents:

- FY 2013 Final General Fund Budget Adjustments
- Contributions to Finance Benefits of the Retirement System to be Contributed During the Fiscal Year Beginning October 1, 2012
- Letter from AJ Cross, Board member, to June Page, Board Chair

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