

FINAL
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
OCTOBER 17, 2012 – 6:00 P.M.

| Board Member | Attendance | 10/2012 through 9/2013 | |
|------------------------------|-------------------|--------------------------------------|---------------|
| | | Cumulative Attendance Present | Absent |
| June Page, Chair | P | 1 | 0 |
| AJ Cross, Vice Chair | P | 1 | 0 |
| Brady Cobb | A | 0 | 1 |
| Nadine Hankerson [arr. 6:05] | P | 1 | 0 |
| Fred Nesbitt | P | 1 | 0 |
| Bryson Ridgway | P | 1 | 0 |
| Andrew Russo | A | 0 | 1 |
| Drew Saito | P | 1 | 0 |

Personnel Attending

Charmaine Eccles, Budget Department and Board Liaison
Douglas R. Wood, Director of Finance
Kirk Buffington, Deputy Director of Finance
Mike Maier, Information Technology Systems Director/Chief Technology Officer
Kevin Keimel, IT Department
Emilie Smith, Budget Manager
Paul Vanden Berge, Department Budget Coordinator, Fire Rescue
Jamie Opperlee, Prototype Inc.

Communications to the City Commission- See attached letter dated 11/6/2012

Motion made by Mr. Cross, seconded by Ms. Hankerson, to state that the BAB supports Mr. Maier moving forward with Phase I of the Kronos (time-keeping software) implementation as presented. In a voice vote, motion passed unanimously.

Motion made by Mr. Cross, seconded by Mr. Ridgway, to support the proposed Financial Integrity Principles and to recommend the City Commission adopt all three policies. In a voice vote, motion passed unanimously.

Motion made by Mr. Cross, seconded by Mr. Nesbitt, that a City policy be adopted to ensure consistent treatment between the managerial and confidential group and the general employees' union regarding wage adjustments and salary ranges. 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

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

2. Roll Call

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

Election of Officers

Mr. Nesbitt nominated Ms. Page for Chair, seconded by Mr. Cross. In a voice vote, motion passed unanimously.

Mr. Nesbitt nominated Mr. Cross for Vice Chair, seconded by Mr. Saito. In a voice vote, motion passed unanimously.

3. Approval of Meeting Minutes

a. August 27, 2012

Motion made by Mr. Saito, seconded by Mr. Ridgway, to approve the minutes of the Board's August 27, 2012 meeting. In a voice vote, motion passed unanimously.

b. September 12, 2012

Motion made by Mr. Saito, seconded by Mr. Cross, to approve the minutes of the Board's September 12, 2012 meeting. In a voice vote, motion passed unanimously.

At 6:05, Ms. Hankerson arrived.

4. Old Business

a. Payroll Taskforce Recommendations

Nikole Kirkpatrick and Alex Kerin from Kronos, a vendor that currently provides the City with timekeeping software for approximately 50% of employees, attended the meeting by phone and gave a Power Point presentation on the benefits of expanding their

service to cover the remainder of City employees. A copy of which is attached to these minutes for the public record.

Mr. Kerin explained that the first year costs would total \$326,564 for hardware, software and training. He said that the \$275,000 that the City currently spends in labor related to the timekeeping effort was a soft cost because employees would be utilized elsewhere. This figure was therefore not included in the estimated savings. Other savings the City could realize were estimated at \$991,806. Ms. Kirkpatrick stated the annual maintenance costs for expansion of the Kronos system to cover the remaining employees would be \$23,807 for software and support.

Ms. Kirkpatrick explained how Parks and Recreation employees would use the system through a PC and how exceptions would be addressed by supervisors. The information was passed to Cyborg for payroll. She stated the software was highly configurable. Ms. Kirkpatrick indicated her focus was public sector and they were accustomed to dealing with the intricacies of public safety payrolls. She stated technology was available to allow employees to access the system remotely from any PC with Internet access.

Ms. Smith asked about the annual costs and Ms. Kirkpatrick said the \$23,807 could be subject to inflation. Mr. Maier explained that this would be part of contract negotiations. He informed the Board that he had \$200,000 budgeted for this but the proposal was for \$326,564. He therefore would recommend implementing the system for Police and Fire because these presented the biggest issues and would give them the “biggest bang for their buck.” He was confident that he could find the remaining funds in next year’s budget.

Mr. Cross said Police and Fire had been the major issues discussed by the Task Force and he wanted to be sure Kronos presented specific solutions to tackle those issues.

Ms. Hankerson asked about the lifespan of the hardware and Ms. Kirkpatrick replied that the City was currently using 30 of Kronos’s 4500 series terminals, which they would continue to support. She said there were hundreds of organizations using the 4500 terminals.

Mr. Maier informed Mr. Cross that the City was currently spending \$42,000 per year for the TeleStaff system. The \$23,000 would be in addition to the TeleStaff cost. Mr. Maier indicated that the new version of the Kronos software would enable them to use it to process the public safety payroll input. There was also a new version of TeleStaff that

would enable them to combine their TeleStaff server databases. He stated consolidation was their ultimate goal.

Mr. Maier informed the Board that since Kronos was an existing vendor, they did not need to issue an RFP; they could add to the existing contract. Mr. Buffington explained that Kronos currently represented approximately 50% of the employee base. They could issue an RFP and go with an entirely new system, or they could propose to the City Commission that expanding Kronos to the rest of the City was the best solution. It was Mr. Buffington's opinion, as well as Mr. Maier and Mr. Wood, that expanding Kronos to the rest of the City was the best option. Once this was implemented, they could consider outsourcing payroll check processing. Mr. Buffington reminded the Board that the real savings was in the timekeeping solution, since most employees were on direct deposit and all new employees were required to be on direct deposit. Based on his own investigations, Mr. Buffington believed that Kronos was the market leader in timekeeping.

Mr. Cross recalled that their idea for creating the RFP was for outsourcing payroll to save staffing costs. Once the new Kronos system was implemented, staff could be utilized elsewhere and they would not need another RFP for payroll processing. He noted that there would come a time when they no longer printed paychecks. Mr. Wood remarked that 90% of payroll processing today was in timekeeping. He said there was an application from Cyborg for open enrollment and their intent was to allow employees to view their pay stub electronically.

Mr. Saito was concerned that refining the system for Police and Fire would inflate the costs. Mr. Maier said he intended to ask Ms. Kirkpatrick to concentrate on Police and Fire and make sure those services were within the costs they had already estimated. He said Kronos had met with Fire and Police representatives for hours regarding their needs and he was confident that the estimates were close. Mr. Maier stated the contract could specify that there would be no change orders.

Mr. Saito pointed out that Fort Lauderdale was not unique, and wanted to know how other municipalities were handling this in an efficient manner. Mr. Maier said it came down to negotiation of union contracts; the simpler they were, the less complicated it would be. Mr. Maier confirmed for Ms. Hankerson that the goal was to eventually integrate all employees onto the Kronos system.

The Board discussed endorsing Mr. Maier's proposal and Board members wanted to be certain that the Police and Fire specifics would be addressed.

Bob Lutz, ADP, suggested the City provide benchmark data comparing Fort Lauderdale's costs to other cities. He said they should consider total cost of ownership, regardless of vendor. Mr. Lutz said calculating the total cost of ownership would take approximately two weeks and would require eight total employee hours.

Mr. Wood said the City was under a time crunch to continue paying employees in a timely, efficient manner and stated regarding missing a payday: "From a processing standpoint, it could happen tomorrow night with a lightning strike."

Mr. Ridgway said making a decision now would be based solely on the projected cost savings, not a comparison of alternatives.

Mr. Lutz informed the Board that the total cost of ownership study would be provided to the City at no cost through Sourcing Analytics. Mr. Cross remarked, "I don't think there's anybody...that knows better the current needs of our IT specifically related to this issue than the people that are in the room right now."

Motion made by Mr. Cross, seconded by Ms. Hankerson, to state that the BAB supports Mr. Maier moving forward with Phase I of the Kronos implementation as presented. In a voice vote, motion passed unanimously.

Mr. Ridgway agreed to follow up with Mr. Lutz regarding the total cost of ownership study and report back to the Board.

Later in the meeting, Mr. Saito wondered if the Board should "bless" the use of employees' time to help with the total cost of ownership study. Mr. Ridgway said he would clarify with Mr. Lutz what the study would entail. Mr. Nesbitt reminded the Board that Mr. Lutz was a "salesman." He did not see how the study could take only two weeks. Mr. Saito acknowledged that the study could provide them with additional information to present to the City Commission and to help make a decision.

b. Financial Integrity Principles

Ms. Smith distributed a revised copy of the Financial Integrity Principles. The first concerned the Undesignated Fund Balance. She noted they had clarified the language regarding the encumbrances to indicate that rollovers for purchase order encumbrances would only be allowed when there was sufficient funding in the fund and the rollovers would reflect no change in unassigned fund balance.

The second principle was the Multi-year Financial Plan. Ms. Smith stated they had been creating a five-year financial forecast every year and they were considering outsourcing this to Burton and Associates, who was currently performing the forecast for water and sewer funds.

The third principle was the Multi-year Community Investment Plan, which they had changed this year by including a prioritization ranking using a matrix for benefit criteria for applications. Ms. Smith explained that this ranking allowed them to be more objective.

Motion made by Mr. Cross, seconded by Mr. Ridgway to support the Financial Integrity Principles and to recommend the City Commission adopt all three policies. In a voice vote, motion passed unanimously.

c. Fiscal Capacity Study Update

Ms. Smith introduced Terrence Arrington, who was drafting the study for the City. She also distributed copies of the first four chapters of the study, as well as an outline.

Mr. Arrington reviewed the outline and the draft chapters. He had included a description of services the City provided, and charts depicting the reorganized departments and the economic base. Mr. Arrington planned a revenue manual and a financial trend monitoring system. He invited the Board's feedback and suggestions.

Ms. Smith explained that the purpose of the study was to determine the City's fiscal capacity: their ability to increase fees and the millage rate over the next couple of years to increase revenues. She said they could consider new sources of revenues and different methodologies.

Mr. Cross noted that the Board had yet to explore new revenue generating opportunities. Ms. Smith informed the Board that the City was hiring a firm to perform a user fee study and a full cost allocation study.

Regarding the definition of fiscal health, Ms. Hankerson pointed out that some services were not actually worth what was paid for them. Ms. Smith said they could take a look at this as well.

5. Agenda for Joint Workshop with City Commission: November 7, 2012

[This item was discussed out of order.]

Chair Page did not feel the Board had enough agenda items to present to the Commission.

The Board discussed the timing of their November and December meetings and decided to cancel the November meeting and the Commission workshop, and to meet next on December 19.

Ms. Smith suggested the Board schedule discussion for the 2014 budget process and the Board's role in the budget process at the Board's December meeting.

Mr. Nesbitt wished to add a discussion item regarding the Fire Assessment Fee early in the year. He wanted the Board to tour the Police Headquarters building and the equine facility so the Board could discuss ways to address the structural issues.

Chair Page recommended Board members bring to the December meeting a list of issues they wished to discuss in 2014.

Mr. Cross recalled the Board had discussed reconstituting the Board by ordinance and wanted to bring this up again with the City Commission.

Mr. Ridgway stated one of their goals in meeting with the departments was to identify areas where the City could save money or do things differently.

The Board discussed touring the Police Department headquarters and equine facilities in November and staff agreed to coordinate a possible date and time.

Other Board Discussion and Updates

401(a) Pension for Non-Classified Employees

Ms. Smith said the City Commission had adopted a resolution to reduce the 401(a) contribution rate for non-classified employees to 19.89% and to offset the reduction with a 6.13% increase in employees' salary. This required amending the pay plan, which would be on a Commission agenda soon. Ms. Smith explained that the auditor had done another analysis to include the FICA portion and the employees had "eaten" the FICA differential. She explained to Ms. Hankerson that this also gave the employees more flexibility to decide how to invest their money.

Compensation for 250 Managerial and Confidential Employees

Ms. Smith informed the Board that the employees had been given a 1% pay increase and the top end of the pay range had been increased by 3%. Mr. Cross wanted to be sure that going forward, policy should dictate that a level playing field was maintained between union and non-union employees.

Motion made by Mr. Cross, seconded by Mr. Nesbitt, that a City policy be adopted to ensure consistent treatment between the managerial and confidential group and the general employees' union regarding wage adjustments and salary ranges. In a voice vote, motion passed unanimously.

6. Communication to the City Commission

[All were discussed earlier]

Motion made by Mr. Cross, seconded by Ms. Hankerson, to state that the BAB supports Mr. Maier moving forward with Phase I of the Kronos implementation as presented. In a voice vote, motion passed unanimously.

Motion made by Mr. Cross, seconded by Mr. Ridgway, to support the Financial Integrity Principles and to recommend the City Commission adopt all three policies. In a voice vote, motion passed unanimously.

Motion made by Mr. Cross, seconded by Mr. Nesbitt, that a City policy be adopted to ensure consistent treatment between the managerial and confidential group and the general employees' union regarding wage adjustments and salary ranges. In a voice vote, motion passed unanimously.

7. Adjournment

The meeting was adjourned at 8:20 pm.

Documents:

Power Point presentation from Kronos
Draft Fiscal Capacity Study and outline
Draft Financial Integrity Principles

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