

APPROVED
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
APRIL 17, 2013 – 6:00 P.M.

Board Member	Attendance	10/2012 through 9/2013	
		Cumulative Attendance Present	Absent
June Page, Chair	P	5	0
Drew Saito, Vice Chair	P	5	0
Brady Cobb	A	2	4
Nadine Hankerson	P	3	3
James McMullen	P	2	0
Fred Nesbitt	P	5	0
Bryson Ridgway	A	4	1
Josias Dewey	P	3	0
Charles Black	A	0	1

Personnel Attending

Charmaine Eccles, Budget Department and Board Liaison
Douglas R. Wood, Director of Finance
Kirk Buffington, Deputy Director of Finance
Mike Maier, Chief Technology Officer
Stanley Hawthorne, Assistant City Manager
John Herbst, City Auditor
Paul Vanden Berge, Fire Rescue Department Budget Coordinator
Laura Reece, CIP Assistant Grant Manager
Diane Lichenstein, Senior Financial Management Analyst
Terence Arrington, Senior Management Fellow
Samantha Timko, Senior Management Fellow
Emilie Smith, Budget Manager
Lisa Edmondson, 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

The meeting of the Budget Advisory Board was called to order at 6:04 p.m.

2. Roll Call

Roll was called, and it was determined a quorum was present.

Chair Page stated that Jonathan Macy is no longer on the Board, and there is a new member, Charles Black (absent).

3. Approval of Meeting Minutes

a. March 20, 2013

Correction noted from Ms. Smith:

- p. 3, 3rd paragraph, first line, "five Board members" should be "four Board members"

Motion made by Vice Chair Saito, seconded by Mr. McMullen, to approve the minutes of the Board's March 20, 2013, meeting. In a voice vote, motion passed unanimously.

4. Old Business

Chair Page announced that beginning in May there will another new Board member, Bob Oelke.

a. Payroll/Time Keeping RFP, 3rd Part Service Opportunities Update - Mike Maier, Chief Technology Officer

Ms. Smith handed out the Kronos agreement. Mr. Maier noted it is still in the Legal Department, with confidential information and trade secrets being the two issues under discussion. He said that Mr. Vanden Berge, Fire Rescue Department Budget Coordinator, did not like the language in the Volusia County contract and asked Kronos to revise it again. They have been emailing Kronos, suggesting that they get another conference call to resolve the issue, but it is now at a standstill.

Vice Chair Saito wondered what the backup plan would be if they cannot come to an agreement. Mr. Maier replied that they would consider an RFP to go out to a third party to do payroll and also time entries. He said all the other cities that Kronos works with have managed to work through an agreement, and he would like to see that conclusion with Fort Lauderdale. He said the longer they delay a decision, the more expensive it becomes.

Mr. Hawthorne commented that the issues seem to deal with proprietary software, and thought perhaps there was something wrong with their process since the City Commission had approved a contract and they are now going on a five-month delay.

He wondered why the contract had not been approved (legally) ahead of time, and remarked they need to look at that procedurally.

Mr. Maier stated that confidentiality and trade issues are always the issues that arise on contracts. He felt that a standardized professional services contract agreed upon by the City's legal team would be the best method going forward.

Vice Chair Saito asked why the City could not reach agreement, and Mr. Maier clarified it is the interpretation of Florida Law regarding software and trade secrets. The City's legal team says that trade secrets can be assets today, but may not be tomorrow. A trade secret has to be provable, and there is an issue on the interpretation.

Chair Page was curious why they could not override the lawyer. Mr. Herbst responded that the City contracts are subject to the approval of the Attorney's office as to form and legality. It was noted that the contract they are using was copied from another entity that was already working with Kronos.

Ms. Hankerson verified that they accepted Kronos because they had already worked with them. Mr. Maier said he proposed doing an add-on to the legal team, but they said Kronos is providing different applications and services that are not covered on the existing contract.

Mr. Herbst said there was also a provision in the contract that the City indemnify Kronos, which is illegal under State law. Mr. Maier said that issue had been clarified.

b. Financial Forecast Model and Assumptions Update

Ms. Smith said she emailed the latest version of the preliminary revenue projections to the Board for FY 2014. She said that was a result of a meeting with the Revenue Estimating Conference Committee, staff, several Board members, and Burton and Associates Inc. The FY 2014 estimates will be used with the presentation to the City Commission on April 30 (joint workshop with BAB and City Commission).

Ms. Smith continued that staff has completed their budget requests for FY 2014 and those will be utilized in the model to show the anticipated gap for the next year.

Mr. Nesbitt expressed concern about the firefighter pension and insurance premium tax, police retirement insurance premium tax, and firefighters' supplemental compensation amounts on Schedule 3. Ms. Smith explained that the first two amounts are historically handled as pass-throughs, and this year they will be pulled out of the budget on both sides so it will not be shown in the general budget for FY 2013.

c. Fiscal Capacity Study/Policy Recommendations Discussion

Ms. Smith referred to the Fiscal Capacity Study booklet, going through it section by section. She pointed out that Chapter 5 was lengthy and provided critical information on the revenue tax base for Fort Lauderdale. Chapter 6 details the ICMA model for the

financial trends monitoring system. Ms. Smith noted there were 42 indicators available and they chose 12 to begin their review.

Ms. Smith recognized Terence Arrington, Senior Management Fellow, who took the lead on the project along with Ms. Reece.

Mr. McMullen was curious if there were many close calls between the unfavorable and the caution categories, and Ms. Reece replied there is more detail in the ICMA actual model, which they used for guidance when deciding which category to choose.

Ms. Hankerson wondered why they chose the 12 variables and what they are. Ms. Smith said that over time they intend to incorporate all the ones applicable to Fort Lauderdale. Ms. Reece said their choices had to do with what available reliable data had already been tracked.

Ms. Reece began a PowerPoint presentation of the Executive Summary at 6:30 p.m. She explained that they focused on indicators that were either yellow or red (cautionary or unfavorable). The presentation also included suggested recommendations for financial policies and principles, controls, and trends.

Ms. Smith noted that in the past they have done five-year forecasts and this year, did a ten-year forecast as well for what the City would look like if no changes were made.

Mr. Hawthorne reiterated they will share the other indicators with the Board, but they probably would not adopt all 42 indicators. He would like the Board's input in prioritizing which indicators to pursue.

Ms. Reece continued that other recommendations are related to ways to increase the revenue base, and the adoption of a formalized policy relating to standardizing user fees. Mr. Hawthorne remarked that they do not have a formal policy on how often user fees should be reviewed, but it has not been done on a regular basis.

Vice Chair Saito was curious if there was an estimate for the economic impact/benefit of the beach concerts and the Air Show. Ms. Smith did not know if it was quantified, but mentioned the benefits in terms of parking revenue and hotel/restaurant patronage. Mr. Hawthorne added that the City has a standing policy on special events that specifies that costs that the City incurs are reimbursed. Mr. Wood added that the City receives a deposit upfront for estimated costs plus 10% for over-runs. Mr. Herbst commented that occasionally the City is a financial contributor/sponsor for some events.

At 6:44 p.m., Ms. Reece concluded her PowerPoint presentation,

Mr. Hawthorne thought the Board had revived the issue with the marina, particularly after the last joint meeting with the City Commission. He felt the new budget review would provide a deeper look into what other departments are doing. He remarked there

will be a gap, and the extent of that will be known by April 30. Mr. Hawthorne cautioned there will be difficult decisions to make.

Ms. Hankerson wondered if safety (such as early warning systems) is included in the budget and who pays for those items. She felt the City should be more proactive in that regard, as safety is vital to tourism.

Mr. Nesbitt desired more specific recommendations on increasing revenues from taxes. Mr. Hawthorne explained that the recommendations given were of a more general nature, and the task now is to get into more detail. He added that property tax is one that the City Commission has not been willing to raise; however, the user fees are more open to change.

Mr. Nesbitt commented that four years ago, the City Commission said they would review the user fees on a regular basis and make adjustments, but there was not much follow up. Ms. Smith mentioned that a formal review did take place in 2010 of all the Planning and Zoning fees and the Building fees. She added that the Parks and Recreation Department conducts ongoing reviews of their programming and expenses.

Regarding millage, Ms. Smith said one of the principles is to have a sustainable budget, meaning revenues equal expenditures.

Ms. Reece added that regarding the user fees, one of their recommendations was to have a policy detailing how the fees would be reviewed. Mr. Nesbitt thought they had a policy, but it has not been followed. Chair Page said they should add cost recovery into the user fee review due to their close relationship. Mr. Nesbitt brought up the need to figure out how costs are calculated and assessed.

Regarding contracting out and privatization, Mr. Nesbitt said he did not see data in the report to support the recommendation. Ms. Smith responded that they would recommend evaluating those as options, but one indicator was that the cost for the program was increasing as a percentage of the total operating budget. She thought that would support consideration of alternative ways of providing programming.

Mr. Nesbitt then brought up fringe benefits, pensions, health insurance, life insurance, sick leave, annual leave, and vacation leave. He pointed out that the report highlighted pension reform, whereas the cost of health insurance was going up greatly and was not highlighted. He pointed out that the five years cited for pension contribution costs were also the worst five years in the stock market.

Mr. Hawthorne commented that health insurance and pension are the two highest cost items, particularly in government. He added that pension costs are "out of control" in the City, but health care costs are set.

Mr. Nesbitt remarked that the City carries a large liability in terms of sick/annual leave, and wondered if the City had thought of ways to address that liability. Mr. Hawthorne replied that some of those issues are functions of collective bargaining. He continued that pension reform will be addressed in collective bargaining.

Vice Chair Saito was curious if the City Manager's office does a comparison on expenditures for various programs such as police or fire expenditures per capita with other municipalities in the State. Ms. Smith replied historically they have not, but have implemented performance measurements which will help establish benchmarks in those areas. Mr. Hawthorne mentioned that the City Manager added a new department, Structural Innovation, to incorporate performance measures and benchmarking. He also commented that the performance measures are becoming part of the budget.

Mr. McMullen asked who the target audience would be for the document; Ms. Smith replied it would be all stakeholders and it would be a public document. She added that the recommendations are aimed at managing the City as a whole, not necessarily just the City Commission.

Mr. Hawthorne reiterated that the document is a fiscal capacity study, not a budget recommendation. He said there will be an increase in property tax revenue based on the projections, including the ones in the assumption model. He said it is not just about increasing the rate, but could include increasing the valuation on a regular basis. The valuation makes that revenue sustainable.

Vice Chair Saito brought up new development and wondered if the City identified properties that would get their Certificate of Occupancy within that budget year. Ms. Smith responded that the Department of Sustainable Development provided a five-year forecast, which included when Certificates would be in effect.

Chair Page wondered if staff was seeking support for the entire document, parts of it, or the recommendations. Mr. Hawthorne answered that they are looking for support of the document as a whole to be used as a reference document. He believed it would be updated periodically, and the companion document that is coming is the Revenue Manual, plus an Appendix. Mr. Hawthorne added that the study was never intended to be exhaustive in nature.

Mr. Nesbitt felt that several of the recommendations in the report were not well-founded. Thus, he proposed that the Board support or recommend the forwarding of the capacity study alone (as a reference document) to the City Commission, or note that the recommendations are specifically "capacity recommendations" and that there are specific recommendations for the FY 2014 budget.

Ms. Hankerson observed that the City did not have voluminous data at this point, and thought they should wait until more data is acquired utilizing a system of data-gathering.

Mr. Dewey felt the report was very useful and was in favor of recommending the study and the recommendations.

Vice Chair Saito was concerned that the recommendations might be misconstrued and wondered if they should not submit them.

Chair Page observed that the recommendations are conceptual rather than concrete, and had no problem recommending the study and recommendations, noting they are going in the general direction that the Board has been “prodding” the City Commission in for some time.

Mr. Nesbitt feared that the City Commission would view the recommendations as the Board’s budget recommendations.

Mr. Hawthorne said they will be asking the City Commission at their April 30, 2013, meeting for direction through consensus (of the Commission) if they are willing to consider increasing the fire assessment fee and millage to address the budget gap.

Mr. Hawthorne further noted that the City Commission is often asked to “accept” a document such as the study, rather than “approve” it. He added that the City Commission had previously requested the study.

Motion by Vice Chair Saito, seconded by Ms. Hankerson, to accept and transmit the Fiscal Capacity Study to the City Commission. In a voice vote, the motion passed unanimously.

Mr. McMullen commented that instead of having specific recommendations regarding the millage and fees, there could be a broader recommendation that the City look into additional revenues or increased revenues so that everything is covered. Ms. Hankerson was in favor of adding the recommendations as they are, yet hold the City Commission accountable.

d. Fire Assessment Methodology Recommendation

Chair Page recalled there had been a presentation to the Board on a different way to create a fire assessment fee. She said the alternate methodology would cost most commercial businesses less, and property owners, such as homeowners, more. The City wants a recommendation on whether to change or not.

Ms. Smith reviewed that they hired GSG, a firm known for doing fire assessment methodologies. The new methodology is more complex and assigns fees based on the level of use required to extinguish a fire on a building. Ms. Smith added that most of the newer homes have fire sprinkler systems, and they would receive a credit for that.

Ms. Smith informed the Board that very few municipalities are now using this assessment, and it has not been tested by the courts. Mr. Vanden Berge said some cities use a hybrid type of assessment, but 98% use the traditional methodology.

Mr. Vanden Berge also stated that the new fire assessment methodology would only apply to the structure on a parcel, not a boat or some other property on a parcel. Mr. Nesbitt wondered if there was some way to capture the protection provided to boats in the City, and Mr. Vanden Berge replied there may be some way, like a dockage fee. Discussion ensued on how to assess different types of boats.

Mr. Nesbitt brought up the possibility of rating houses based on value. Ms. Smith said she had not seen that implemented anywhere. She also noted that religious institutions and government buildings are generally exempt from the fees.

Mr. Hawthorne remarked that the traditional methodology has stood the test of time across the State.

Ms. Hankerson asked who did the original methodology, and Mr. Vanden Berge replied it was Government Services Group since 1989, with several updates. He added that is one of their core specialties.

Mr. Nesbitt was curious if the new technology could be in service by FY 2014. Mr. Vanden Berge said it was his opinion that there are some significant hurdles to adopting the methodology:

1. Notify the Broward County Property appraisers by May 1 if there will any change
2. Would have to change the resolution for the City from a legal standpoint
3. Since going from demand to enhancement based on risk assessment, every facility would have to be evaluated for risk assessment, which can be exceptionally labor intensive
4. City is now saving money by using TRIM notices; if it were not done by July 1, there would have to be separate mailings which could be in excess of \$150,000

He continued that GSG recommended having at least a year to plan if the City is going to make the change.

Mr. Dewey asked if the change would be revenue neutral, and Mr. Vanden Berge responded affirmatively, explaining that the fire assessment would calculate out the assessable costs once suppression is separated from EMS. Mr. Hawthorne clarified that individual properties may be different, but in the aggregate, it is revenue neutral.

Several Board members agreed that they did not see the point in pursuing the new methodology if it was unknown if it would hold up in court.

Motion by Ms. Hankerson, seconded by Mr. McMullen, to keep the methodology as is. In a voice vote, the motion passed unanimously.

Mr. Vanden Berge mentioned the sprinkler credits have not been established, which could modify the cost apportionment and perhaps the revenue.

5. New Business

a. 2012 Neighbor Survey Results and Vision Update - Amy Knowles, Structural Innovation Manager

Ms. Knowles introduced Samantha Timko, Senior Management Fellow, who has been working with her for almost a year. Ms. Knowles handed out copies of the Visioning Plan, noting that the City Commission unanimously adopted the plan at their meeting the previous evening.

Ms. Knowles stated that by doing the Vision plan in-house with staff as opposed to doing it with the consultant originally hired by the Visioning Committee, the City saved approximately \$200,000.

Ms. Timko began a PowerPoint presentation of the Visioning Plan at 7:48 p.m.

Ms. Timko mentioned that they received 1,562 responses (ideas) from the public, of which 437 were unique. Overall, through various media, they interacted with 50,000 people.

Ms. Knowles addressed the Neighbor Survey, noting that the visioning process was not statistically valid even though it was a huge community outreach. The Neighbor Survey was on a smaller scale and was performed on a statistically valid approach. The responses are tracked on a GIS map, showing the responses by census tract. She showed the various question/idea groups and responses showing citizens' satisfaction or dissatisfaction (or neutral).

Ms. Knowles mentioned that 41% of the residents agreed that the City uses tax dollars wisely, 43% felt overall value received for City tax dollars was good to excellent, and there were a lot of neutral responses. She pointed out, however, that those figures are in line with national and state trends in terms of perception of government.

Ms. Knowles concluded the PowerPoint presentation at 8:11 p.m.

Vice Chair Saito commented that the information in the document is important and needs to be constantly in front of the City Commission as the items are all investment related. He stated the information has to be part of the budget discussion.

Mr. Hawthorne remarked that Ms. Knowles will come back at a later date to talk about a more direct role for the Advisory Boards.

b. FY 2013 Budget Status Update
This item was deferred.

6. Joint Commission Budget Workshop Meeting Dates:

a. Tuesday, April 30, 2013

Ms. Smith handed out a draft agenda for the April 30, 2013, meeting.

Mr. Hawthorne felt the transmittal of the document from this meeting would need more information to go with it. He mentioned that the Board endorsed the current fire assessment methodology.

After the City Commission receives the financial forecast and knows what the gap is, the staff is looking for an indication of where they might be on those couple of issues.

Chair Page asked the Board if they had any opposition to raising the fees for the fire assessment system in FY 2014. Ms. Smith noted that last year they asked for an \$18 per household per year increase, and the City Commission did not agree to that. Mr. Hawthorne informed the Board that the fee is currently \$135 and is tied to the cost recovery principle. Vice Chair Saito supported recommending the increase by an incremental amount, rather than a substantial amount all at once. It was noted that the last increase was in 2008.

Discussion ensued about the amount of money brought in by an increase of \$1.00 or a tenth of a mil. Chair Page verified that the gap is at least \$15 million, and no reserves can be used. Ms. Smith said that raising the millage is a more long-term solution.

[Mr. Feldman arrived at 8:20 p.m.]

Mr. Nesbitt remarked that the value of the mil could be greater with new figures coming in. Mr. Feldman pointed out the impact of carrying forward the increases.

Mr. Hawthorne emphasized that they do not have the data yet and so should be cautious about making any decisions. He did not know if the City Commission would be receptive to accepting an increase in millage, and thought the Board would need to remain flexible. He said the Board will be seeking some direction at the April 30 meeting, but did not think the Board needed to be too specific.

Mr. McMullen was curious how Fort Lauderdale's millage rate compared to most other comparable cities. When Ms. Smith replied it was very low, Mr. McMullen stated he was not opposed to raising the millage rate.

Ms. Hankerson commented she was opposed to raising it, because the taxpayers should be getting money back now after being "gutted out" in the past. She said she was more in favor of the fire assessment or other ways of increasing revenue.

Mr. Dewey and Vice Chair Saito were in favor of increasing the millage rate. Vice Chair Saito expressed support for increasing the fire assessment.

Mr. Nesbitt distinguished between cutting costs and decreasing services -- he said that cost cutting sounds like cutting staff, which he felt has been maxed out. He said they have to raise revenues, both the millage and the fire assessment. He felt there was room for more efficiency, but not \$15 million worth.

Ms. Hankerson cautioned against creating an adversary relationship with the City Commission and staff while having a meaningful discussion about costs.

Mr. Feldman remarked there is a "long way to go" in gaining efficiency. He said that one of the issues the Board should consider is the progressive and regressive nature of the types of fees and taxes, which comes down to the ability to pay. Mr. Feldman explained that an \$18 increase affects all residents alike, whereas an increase in property tax can vary widely on its effects. He said they have to look at the impact of each on different residents. The millage increase may be less of a burden on certain (lower income) sections of the City, and more on others, while the \$18 may have the reverse effect. Perhaps there could be a combination of the two, while keeping the goal in mind.

Chair Page asked Mr. Feldman how cost recovery is calculated, and he explained that it depends on the service, not on a person's ability to pay. Further, he explained that the 66% recovery refers to the cost of fire service; money raised through the current fire assessment only covers 66% of the true cost of the fire service, not that 33% could not pay for their service. He emphasized the theory is to get full cost recovery and not take the money from the general fund.

Mr. Hawthorne added that another dimension of cost recovery is that some services are services "of choice." In those cases, ability to pay is a factor, such as in certain recreational services.

Mr. Nesbitt asked if there would be an increase in user fees and fees for service in this year's budget, and Mr. Feldman replied there will be for water and sewer (storm water). He mentioned that some programs will be market-driven, such as gymnastics, which will cost more.

Regarding EMS transport fees, Mr. Feldman explained that is somewhat regulated and they are high right now in terms of where the market is. False (fire) alarms are regulated by ordinance in that the City cannot charge more than the cost of responding to an alarm. Mr. Feldman said the initial fee for alarm registration could be raised.

Mr. Feldman added that occupational license fees can also be increased by a super majority vote, and that would provide a significant revenue, more so than increasing some user fees.

Mr. Hawthorne remarked they need to restate Items (d) and (e) on the agenda, relating philosophically the consensus of the Board.

Chair Page asked the Board to be present at the April 30, 2013, meeting.

b. Monday, August 26, 2013

Chair Page noted that was the next scheduled joint meeting (after April).

Chair Page stated that Mr. Hawthorne requested for approximately 12 -13 hours in May for the Board to hear the Department Budget Reviews. This could occur in segments.

Mr. Nesbitt wondered what they would hear from the departments that would justify that amount of time. Mr. Hawthorne replied that the purpose of the presentation goes back to the budget gap. The City Commission has said they want to hear more from the Budget Advisory Board, and the presentations are to inform the Board of the fundamentals that department directors are recommending in terms of cutting services or increasing revenues for FY2014.

Ms. Smith remarked that the departments will receive direction on May 1 regarding the gap, and then they will come up with measures to deal with it. Mr. Hawthorne stated that it is still the City Manager's responsibility to come up with a balanced budget, and the department work will be a parallel process.

Mr. McMullen suggested giving the department heads parameters on what they talk about, specifically what they want to do, what the impact is of not having any increases next year, and what a 10% or some percentage cut would mean to them. Several members agreed that was a good idea. Mr. Hawthorne said that the City Manager will give parameters to them; if the Board has any parameters to add, those could be factored in. Ms. Smith mentioned staff has already been informed that it has to be educational, big picture, performance measurements, core service levels, and budgetary needs.

Mr. McMullen requested a time limit per speaker. Mr. Nesbitt asked if Mr. McMullen could write up some bullet points as a focusing factor, and he agreed to do so.

The Board chose the following dates for the presentations: May 8, 15, 22, and 29 from 6:00 p.m. to 9:00 p.m.

7. Communications to the City Commission

None.

8. Adjourn

Upon motion duly made and seconded, the meeting was adjourned at 9:00 p.m.

Budget Advisory Board

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Documents Attached:

KRONOS Agreement - Emilie Smith

Fiscal Capacity Study booklet - Emilie Smith

PowerPoint presentation on Executive Summary of Fiscal Capacity Study - Laura
Reece

Visioning Plan - Amy Knowles

PowerPoint presentation of Visioning Plan - Samantha Timko

Draft Agenda for April 30, 2013, meeting

[Prepared by J. Rubin, Prototype, Inc.]