

**APPROVED**  
**BUDGET ADVISORY BOARD MEETING**  
**CITY OF FORT LAUDERDALE**  
**100 NORTH ANDREWS AVENUE**  
**8<sup>th</sup> FLOOR CONFERENCE ROOM**  
**FORT LAUDERDALE, FLORIDA, 33301**  
**AUGUST 21, 2013 – 5:00 P.M.**

<b>Board Member</b>	<b>Attendance</b>	<b>10/2012 through 9/2013</b>	
		<b>Cumulative Attendance Present</b>	<b>Absent</b>
June Page, Chair	P	7	0
Drew Saito, Vice Chair	P	7	0
Chip Burpee	P	1	0
Josias Dewey	P	5	0
Nadine Hankerson [5:10]	P	4	3
James McMullen	P	4	0
Fred Nesbitt	P	7	0
Robert Oelke	P	2	0
Bryson Ridgway	P	5	2

**Personnel Attending**

Lee Feldman, City Manager  
Stanley Hawthorne, Assistant City Manager  
John Herbst, City Auditor  
Marco Hausy, Audit Manager  
Emilie Smith, Budget Manager  
Douglas Wood, Director Finance  
Mike Maier, Information Technology Services Director/Chief Technology Officer  
Laura Reece, Assistant Manager CIP/Grants  
Norm Mason, Assistant Budget Manager  
Linda Logan-Short, Controller  
Darlene Pfeiffer, Transportation and Mobility Business Manager  
Onesi Girona, Transportation and Mobility Budget Coordinator  
Paul Vanden Berge, Fire Rescue Department Budget Coordinator  
Diane Lichenstein, Senior Financial Management Analyst  
Bobbi Williams, Senior Financial Management Analyst  
Marcos Nichols, Senior Management Fellow  
Charmaine Eccles, Budget Department and Board Liaison  
Jamie Opperlee, Prototype Inc.

### **Communications to the City Commission**

**Motion** made by Mr. McMullen, seconded by Mr. Ridgway, to state the Board supports the tentative 2014 budget. In a Voice vote, motion passed 8 - 1 with Mr. Oelke opposed.

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 5:02 p.m.

#### **2. Roll Call**

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

New Member - Chip Burpee

Chair Page introduced new Board member Chip Burpee. Mr. Burpee stated he managed the Government Affairs Board for JM Family Enterprises and he previously worked for Senator Bob Graham.

#### **3. Approval of Meeting Minutes**

A. June 19, 2013 Regular Meeting

**Motion** made by Mr. Saito, seconded by Mr. Oelke, to approve the minutes of the Board's June 19, 2013, meeting. In a voice vote, motion passed unanimously.

#### **4. Old Business**

A. Payroll/Time Keeping RFP, 3rd Party Service Opportunities Update

Mr. Maier reported the City Commission had approved the contract with Kronos and they had developed a project plan. Mr. Maier reminded the Board that the problem with the payroll system was the data collection, so outsourcing payroll would not help resolve the issue. The Kronos application would allow the City to electronically collect and calculate payroll information and he anticipated a significant labor savings.

Mr. Maier stated they had created an ERP Governance Committee and were now considering three finalists for a consultant. This ERP system would examine all financial models, including the payroll system to make all systems more efficient. Mr. Maier did not recommend the City consider outsourcing payroll.

#### **5. New Business**

A. Citywide Facilities Assessment Update

Ms. Smith had distributed the most recent scope of services and said they hoped to be able to piggy-back on another municipality's contract. They would decide in the next week if they would issue an RFP or piggy-back.

Mr. McMullen remarked he had not noticed incentives or penalties if timeframes for deliverables were not met. Ms. Smith agreed to ask the Facilities Manager and report back to the Board.

B. Citywide Spending on Homelessness Discussion

Cate McCaffrey, Deputy Director of Parks and Recreation was not present so this discussion was deferred.

C. City Auditor's Preliminary Review of the FY 2014 Proposed Budget

Mr. Herbst referred to the City Auditor's Office Budget Review, Summary of Recommended Adjustments and stated they were 90% finished. He said this year, there had been more rationale behind the revenue projects which had given him a higher degree of comfort. He said Ms. Smith had already implemented 90% of his suggestions.

Mr. Herbst explained that the adjustments would have a net positive effect for the General Fund of \$650,000.

Regarding the Wave Special Assessment Bond they were working on, Mr. Herbst said there were different accounting treatment for these bonds depending on whether or not the City assumed any obligation to make the payments in the event of a shortfall in the special assessment revenue. There was a question of whether the Parking Revenue Bond would go beyond 2014.

Mr. Herbst reminded the Board that the City had received a grant for a study for the 7<sup>th</sup>-9<sup>th</sup> connector but they had decided not to go through with the study. The grant specified that the money should be paid back if the project was cancelled. The City Manager and staff had been in communication with FDOT hoping to get them to forgive the repayment. Mr. Herbst suggested this should be budgeted but this was a policy decision.

Mr. McMullen asked if Mr. Herbst would ever recommend staff reductions and Mr. Herbst stated he felt that City management and the City Commission were responsible for operations decisions but he would weigh in if he felt something was egregious.

Ms. Smith stated staff had incorporated everything Mr. Herbst suggested except the FDOT grant repayment. Mr. Feldman explained that until they knew about the grant for certain, it would remain on the City's books as a liability.

D. FY 2014 Proposed Budget Discussion

Mr. Feldman reported the City Commission had considered the Board's recommendations and decided to increase the Fire Assessment but not the millage rate. The Commission also acknowledged the need for facilities maintenance and had asked staff to dedicate .75% or \$2.1 million to a maintenance fund. Staff had already identified projects for these funds. The Commission had also asked staff to fully fund the CIP at 1% or \$2.8 million. They had also increased the property tax collection rate to 96%. This resulted in \$125,000 going back to the fund balance instead of taking funds out. Mr. Feldman said the Fire Assessment would increase \$30 per year for three years.

Chair Page asked how much maintenance could be done with \$2.1 million and Mr. Feldman reported that this and some of the CIP funds could cover several roofs, several playgrounds and a few restroom facilities. Ms. Smith stated the completed Facilities Assessment Study would allow them to make more informed decisions and they could decide to issue bonds for some improvements. Ms. Hankerson asked if the Commission had discussed maintenance on the Police Department building and Ms. Smith reported they had received a \$420,000 grant to replace the Police Department and jail roofs. Mr. Saito noted that the Facilities Assessment Study would include the Police Department. Mr. Hawthorne pointed out that the Study would consider all City-owned facilities. He informed the Board that they would be kept in the loop during the process.

Ms. Smith stated another consultant would perform the road and sidewalk assessments. There was also \$250,000 in the 2014 budget for an independent consultant to conduct a comprehensive bridge assessment. Mr. Hawthorne informed the Board that there was also a pending grant project to pave unpaved roads in South Middle River Terrace.

Mr. Ridgway asked for a timetable on the Facilities Assessment. Ms. Smith replied that the RFP process was lengthy and she anticipated the study would be complete in six months.

Ms. Smith distributed the General Fund Budget Adjustments Since Proposed Budget on July 9, 2013. She explained that the change in the ad valorem revenue was due to the actual collection numbers being closer to 97% when they had budgeted for 95%. The sales tax adjustment was in line with a State adjustment.

Regarding Additional revenue from assessments, Ms. Smith said this was due to a higher valuation from the Property Appraiser and they were increasing the collection rate to 97%. They had also stopped allowing exemptions that were not related to a public purpose.

Ms. Smith explained that they could not determine the reason for the changes in FPL franchise fees and they were pursuing an audit. They had anticipated an increase this year because FPL had enacted an increase in the base rate, but the City's revenue had decrease.

Mr. Oelke asked about the additional revenue from Police and Firefighters insurance premium taxes. Ms. Smith explained that they had wanted to remove it from the budget because it artificially inflated the budget by \$5 million but Mr. Herbst had opined that it must be listed in the budget. Mr. Herbst stated this was a wash and pointed out a corresponding entry on the expenditures side.

Chair Page asked if the City Architects had made their presentation to the City Commission to try to keep their jobs. Mr. Hawthorne said they had not yet.

Mr. Oelke asked about the Wellness Clinic and Mr. Hawthorne explained that this should be in the insurance fund. Ms. Smith agreed to check and report back. Ms. Smith distributed the latest Ten Year General Fund Analysis from Burton and Associates. Mr. Hawthorne felt the most important line was Cash Out, which continued to indicate an increase in revenues exceeding expenditures. He said the single biggest driver of this improvement was the increase in the Fire Assessment.

Mr. Nesbitt said the 10-year CIP number was disappointing; he had hoped the Commission would approve a .4 mil increase that would have brought in over \$200 million.

Mr. Hawthorne said the Finance Department and City Auditor wished the Board to review the Fund Balance Policy and hoped they would include a recommendation with their recommendation regarding the budget.

Ms. Logan-Short informed the Board that the classifications for fund balances had changed and there were now five categories: Non-spendable; Restricted; Committed; Assigned and Unassigned. In 2001, the City had implemented the new GASB 54 Policy but had not implemented the Fund Balance Policy. Implementing it would allow them to use the correct language in the CAFR and to set balances for each fund.

**6. Joint Commission Budget Workshop: Monday, August 26, 2013**

**A. Set Agenda**

Ms. Smith confirmed that staff wanted the Board to make a recommendation regarding the proposed budget with the most current changes.

Mr. Oelke referred to the survey in the budget document and millage rate equivalents and pointed out that the Fire Assessment equivalent was not .01 mil; it was 1.3 mils. He said this was a “bogus” comparison because the millage rate was based on the tax base and the Fire Assessment was fixed fee. The same was true of the Solid Waste Assessment equivalent. Mr. Hawthorne said they would take a look at the calculations and get back to the Board.

Mr. Oelke said there were transparency issues as well, and mentioned the fact that the workers compensation had been taken out of the general fund and put into the insurance fund. He remarked it was very difficult to compare fringe benefits costs and POB debt payments year over year. He said someone who did not understand that there had been a transfer from debt service to cover fringe benefits would infer that the City had saved money, when in fact the costs had increased.

Mr. Hawthorne stated Mr. Feldman wanted complete transparency, and noted that they had added variances and explanations for any change over 5%. Ms. Smith said major variances were explained in the back of the document. Mr. Hawthorne informed the Board that this budget had won an award from the Government Finance Officers Association, but he said they needed to concentrate on the substance of the document instead of on Power Point presentations and they were working toward this.

Mr. Oelke asked about the negative fund balances in the City Insurance Fund and the Self Insurance Fund. Ms. Smith explained that the expense for insurance premiums came out of the risk fund. Last year, as a gap-closing measure, the insurance fund had absorbed the premiums for about \$7 million worth of City insurances because they had a very healthy fund balance. This year, they still had a budget gap of a couple of million dollars and the fund had absorbed approximately \$2 million of the expenses for workers compensation. The City had opened a Wellness Center for employees at a fixed expense that they hoped would mitigate the risk of the claims from employees visiting outside doctors and specialists.

Mr. Wood pointed out that there had been a major overhaul in their budget in the past four years, including the reorganization from 16 to 9 departments, and this made comparisons difficult. In the future, it would be much easier to make year-to-year comparisons.

Mr. Nesbitt felt the budget was a step forward, but that they had missed the opportunity for serious capital investment; the Fire Assessment Fee increase was regressive because it had more impact on fixed income residents and seniors. He agreed that the shifting of some of the funds was difficult to track. Mr. Nesbitt was also concerned about what was happening with the fleet. He said the economy was now moving, but the budget was not.

Later in the meeting, Ms. Smith explained that in 2013 they had separated out the reserves into the respective proprietary funds. In 2013, they had replaced 82 Police vehicles and they were also planning to replace 5 fire rescue vehicles and 2 pumper trucks.

Chair Page felt the Board shared Mr. Nesbitt's opinion, but she also thought this was the best budget the City had developed in years.

Mr. Saito wanted to emphasize that the City had spent resources to develop a vision plan but the budget did not allow for its execution. He wanted to remind the City Commission to revisit that document and stress that they needed to budget for it.

Ms. Hankerson remarked that a millage rate increase might have been desirable but there was still a sluggish real estate market and there were residents who could not handle an increase. She felt that raising the millage rate would have been “political suicide” for the City Commission.

Mr. Ridgway thought the Board should stick with high-level policy issues and focus the Commission on things that were important in the long-term for the City’s future economic growth.

Mr. Oelke said he would like to see staff provide the Board with an analysis on how the increase in the Fire Assessment would affect people living in the northwest section of the City before they raised the Fee. He stated, “50% of the money raised by the Fire Assessment Fee is going to be borne by people who own 10% of the property.”

Mr. McMullen said the budget was basically done and the Board’s focus at the workshop should be on where the City should be going in 2015 and beyond. Mr. Dewey agreed but since the budget had not yet been voted on, he wanted to show support for it.

Chair Page stated the following agenda items for the workshop:

1. The Board’s support for the Commission approving the proposed 2014 budget.
2. The need to invest in the City in ways that would grow the City economically and help its citizens prosper and to have better lives.

**Motion** made by Mr. McMullen, seconded by Mr. Ridgway, to state the Board supports the tentative 2014 budget. In a Voice vote, motion passed 8 - 1 with Mr. Oelke opposed.

Mr. Oelke stated he was conflicted about the unfairness of the budget.

## **7. Communications to the City Commission**

[Discussed earlier]

**Motion** made by Mr. McMullen, seconded by Mr. Ridgway, to state the Board supports the tentative 2014 budget. In a Voice vote, motion passed 8 - 1 with Mr. Oelke opposed.

## **Other Discussion Items and Announcements**

Mr. Saito suggested discussing the Board’s priorities for next year at their next meeting.

**8. Adjourn**

Upon motion duly made and seconded, the meeting was adjourned at 7:08 p.m.

Documents Attached:

City Auditor's Office Budget Review, Summary of recommended Adjustments  
FY 2014 Capital Maintenance Plan Recommended Projects  
FY 2014 General Fund Budget Adjustments Since Proposed Budget on July 9, 2013  
Ten Year General Fund Analysis  
Finance Department Fund Balance Policy