

**MINUTES OF CITY COMMISSION BUDGET WORKSHOP
TUESDAY, FEBRUARY 24, 2004 – 1:00 P.M.
EXECUTIVE AIRPORT CONFERENCE ROOM**

Meeting was called to order at 1:05 p.m. by Mayor Naugle on the above date at the Conference Room at the Executive Airport.

Present: Mayor Naugle
Commissioner Hutchinson
Commissioner Teel
Commissioner Moore (arrived at 1:45 p.m.)
Commissioner Trantalis (arrived at 1:24 p.m.)

Also Present: Acting City Manager
City Attorney
Assistant City Clerk

The Acting City Manager thanked everyone for their hard work in putting this workshop together.

INTRODUCTION – ACTING CITY MANAGER

The Acting City Manager explained that today they wanted to go over the general concepts of a budget and its key points. He stated they also wanted to deal with the lessons that were learned from last year. He further stated they wanted to be responsive to everyone's needs and requests, and understand what types of information was needed and who should be included in the process.

Budgeting is a Process of Making Choices

The Acting City Manager stated that this year could be one of the more difficult years in making choices. He stated it was not a new concept, but everyone needed to understand that having a budget meant they had to live within their means. He explained that meant that current revenues had to equal current expenditures. He stated there were several wild cards in this year's budget. He explained that the current revenues had to equal not only current expenditures, but savings for a rainy day, reserves, and what had to be included for capital outlay and improvements which had not been included in the past.

Establish a Base of Common Knowledge

The Acting City Manager further stated that this year would be one of extraordinary fiscal discipline. He stated they had to focus on what they could and could not do, and understand that they could not be all things for all people. He stated that today they needed to establish a common base of knowledge of what they could anticipate coming "down the pike," and what type of budget they wanted presented to them.

Review Lessons Learned from the Past

The Acting City Manager stated that they would deal with the question of what lessons had been learned from the last budget cycle, and the extent to which they would require a different type of presentation this year.

Reach Consensus on Budget Approach

The Acting City Manager stated that at the end, they hoped to wrap things up with a consensus approach on where they would be going with the budget.

EXISTING PROCESS

Terry Sharp, Director of Finance, stated that they wanted to make sure everyone had a common base of knowledge, and know the key dates in the process.

Exhibit I – Calendar

Mr. Sharp explained that Exhibit I addressed the timetable for the budget. He stated that some of the procedure was set out in the Charter and State Statute and could not be changed. He further stated that typically the budget process began in January when they began discussing changes for the budget and its process. He explained that in January they did a first quarter review of the budget with the department heads. This year it appeared they were doing budgeting non-stop. He explained that this year, the new Assistant Finance Director, Steven Chapman, would meet with each department and get a feel for where they stood at the first quarter review. He stated that after the first quarter reviews, they summarized the issues in a memorandum to the City Commission.

Mr. Sharp stated that in February they asked the departments for their reorganization plans, and for confirmation of the continuation of temporary and part-time positions. He continued stating that they then prepared an initial forecast for the upcoming fiscal year. He explained they also requested servicing departments to prepare their rates, including vehicular, radio, and computer rates. Then, he stated they would seek the Commission's priorities. He stated that it was awkward to do that in an election year to do this. He explained that the purpose of this workshop was to sound out the Commission as to what they should be looking at in preparing budget requests for next year.

Mr. Sharp explained that in March they finalized the changes in the budget forms, and the key to that was their basic way to collect data. He stated they were going to ask the elected officials what data was needed by them in order to make their budget decisions. He stated that no one had been pleased as to how they had to "spin out" additional information during the budget process outside of their normal collection process in the past.

Mr. Sharp further stated that they also provided training for changes in the budget process and assisted new individuals who were working on the budget for the first time. He added that in March they also rolled out the initial budget worksheets and finalized the rates for vehicles, copiers, computers, and furniture so departments could have the same base lines for making such requests.

Mr. Sharp continued stating that April was the “budget kick-off.” He explained that was when they finalized a reorganization within a department and rolled out worksheets and payroll projections. He stated there was a centralized system that did most of the calculations for salaries and benefits.

Mr. Sharp explained that in May the departments submitted their budget requests, and then there was a staff decision point at that time. He stated that the departments also had a budget review with the City Manager, who indicated whether they concurred or not with the department’s priorities. He added that the City Manager might also add some of his own priorities regarding the budget review process. He explained that at the end of May the Budget Office compiled a City-wide view of the General Fund for the next fiscal year.

Mr. Sharp stated that in June the Commission would be provided with an update on the status of the budget process, and early direction could be provided by the Commission. On June 1st, the Property Appraiser provided a preliminary tax roll number indicating the taxable value of the real property located in the City. He stated that typically it was a conservative number that was usually lower, but did not give detail as to what the actual tax roll was for the current fiscal year. He explained it was a one number estimate. The reason they did not know that earlier was because to divide the early numbers up between the cities in the County, it took extra time. He explained further the management team spent the month of June to put together a balanced budget for the City Manager to present to the Commission in July. He explained there was another staff decision point in June where the City Manager would solidify what was to be proposed in the July budget. Mr. Sharp explained they also gave the departments a chance to review their numbers in case they wanted to make any changes.

Mr. Sharp further stated that in July the Property Appraiser was required to provide a tax roll for budget purposes, and that number was to include the tax roll for the upcoming fiscal year which would also include new construction, while still providing the actual tax roll for the current fiscal year. Last year, the tax roll went down and that had been due to the value adjustment process, and other adjustments the appraiser’s office had made. He explained the City Charter required that the City Manager submit a budget to the Commission in July, and typically that was at the second Commission meeting in July. He explained that the only requirement the Commission had in July was to agree on the millage rate that would be given to the Property Appraiser to be sent out with the TRIM notices. He stated that the millage rate for all practical purposes was the maximum amount that could be levied for the upcoming fiscal year.

Mr. Sharp stated that in August the departments had another opportunity to revise their projections for the budget. He explained that 3 times in the process, the departments were asked to look at their numbers and make any desired revisions. He added that the Budget Advisory Board also reviewed the budget during this time, and during the year they addressed various issues. Once the revised numbers were received from the departments, the Budget Office rebalanced the budget and TRIM notices were issued by the Property Appraiser’s Office.

Commissioner Trantalis entered the meeting at approximately 1:24 p.m.

Mr. Sharp further stated that in September the first public hearing was held regarding the budget, and the City placed TRIM notice ads in the newspapers. At the end of the first

hearing, the Commission was to tentatively adopt the millage rate, along with the budget. He explained that between the two hearings the City was required to place an ad in the paper providing a summary of revenues and expenditures, as well as an ad explaining if there was to be an increase in taxes. He stated they also had to announce the date, time and place for the second public hearing. At the end of the second hearing, the Commission was required to adopt the millage rate, along with the budget. The hearing could be continued to a date certain, but a decision had to be made by the first meeting in October. Documentation was provided to the County and the State regarding the public hearings to levy the taxes.

Mr. Sharp stated that October was the beginning of the fiscal year and the Budget Advisory Board monitored, reviewed and made budget recommendations.

Mr. Sharp further stated that in December the financial books were closed and actual fund balances were calculated for the prior fiscal year.

The Acting City Manager stated that this budget process was conducive to an incremental approach or line item approach when doing the budgeting. To the extent that the approaches were changed, they would have to change or modify the process.

Commissioner Trantalis asked if this was the same budgetary process that the City had always used, and further asked if there was some mechanism to be implemented to prevent the situation that had materialized last year and how the Commission had been given different information with each request. He asked what was going to be done to make sure there was more of a check and balance system.

The Acting City Manager stated that was the reason for today's meeting. He explained they recognized that last year was not the most functional way to deal with the budget. People were not content regarding the analysis made. He stated that from staff and the Commission's point of view, no one was enthusiastic with how things were going. He stated that requests were being made for incremental amounts of data which might or might not inter-relate, and unless everyone understood what information was being requested and why, it was difficult to provide such information and conflicting information had been provided in many cases. In this session, he explained they wanted to re-evaluate the process used, and find out specifically what type of items should be addressed and who should be included in the process. Therefore, there could then be a collaborative effort to move forward and arrive at a budget that made sense. He reiterated that there was going to be a great deal of fiscal discipline required. He felt that unless everyone was on the same wavelength, then it would be difficult to move forward.

Commissioner Trantalis stated they all had the same goal and needed to come up with some sort of methodology to prevent what had happened in the past. He asked if there was a way to check and balance the process.

The Acting City Manager stated that highlighting personnel levels was something that could be addressed. He felt that the monthly reports would help, along with the fact that they were concentrating on cost savings. He hoped by the end of tomorrow's session they would have a better understanding of the Commission's perceptions and concerns, and what information would be needed for further review.

Mayor Naugle stated they needed to come up with some type of safeguards and added that they were six months into the year before things were being made known. There had been no balancing of the checkbook that would have prevented runaway spending.

Commissioner Teel remarked that this year there was an Audit Committee. The Acting City Manager agreed and stated that the monthly reports helped to keep everyone informed and areas were highlighted in those reports. He stated the independent Audit Committee would be receiving the report within the next few weeks, and they would then make recommendations to the Commission.

The Acting City Manager stated that in the final analysis, budgets were a sense of priorities and the making of choices. He stated there needed to be an understanding from the Commission as to their priorities and the type of analysis required. He further stated that if they were going to go into something more than a line item budget, then they had to retract how they did business. He continued stating that they intended to be open and communicative this year so a realistic appraisal could be given as to revenues and expenses.

Mayor Naugle stated that he felt it was helpful to go through the budget calendar and to have the Acting City Manager proceed forward and not wait for the new City Manager to come on board. He felt the public also had to understand the process being used.

Mr. Sharp asked if the Commission had any feedback they wanted to provide now in regard to changes to the process.

Commissioner Teel stated that it was important that they have the full picture because without it they could not adequately address the issues and make informed decisions.

The Acting City Manager stated that to the extent that other people had different views than his, there was no reason why such views could not be articulated. He further stated that in the past people had felt constrained because of disloyalty to give bad news or voice opinions, he stated that was not the case now and such opinions and views should be aired.

Commissioner Hutchinson stated that she also felt it was important that they receive all the necessary information so appropriate decisions could be made. She reiterated that the public relied on them to make such decisions. She stated that she wanted the truth to be given to her so she could be accountable for her decisions and feel they were made with the appropriate information. She stated that the Air and Sea Show was an example. When they asked for the cost of putting on the show, she wanted to know the entire picture.

Mayor Naugle stated it was good to get the information early, but they needed to be cautious because getting it early meant getting forecasted information many times.

The Acting City Manager stated that this went back to the timeliness of the data. In reviewing past information, each piece had been correct at a particular point in time, but as one proceeded from one week to the next things changed. He explained that when he sends out information, each piece of information would be from the same time period involved.

Mayor Naugle remarked that all information should be dated and state its source.

DESCRIPTION OF BUDGET FORMATS

Steven Chapman stated that many times verbiage was bandied about, such as line item budgeting, "0" based budgeting, and incremental budgeting. He stated that he provided definitions of those terms and how they related to the City.

Mr. Chapman explained that line item budgeting was a budget where there was a specific line for a specific expense or specific revenue, such as office expenses. He explained further it was good to use for accountability. He stated that the bad part about it was that it did not provide for any performance or quality performance. He advised that the City currently used line item budgeting for salaries and benefits.

Commissioner Moore entered the meeting at approximately 1:45 p.m.

Mr. Chapman stated that low level of resources were needed to do this type of budgeting.

Mr. Chapman explained that incremental budgeting built off of line item budgeting. He stated that this took the line item budget and added a percentage to it for growth and inflation. He explained that the City dealt with that in regard to utilities, gasoline, and costs they knew were rising in incremental amounts. He stated it had the same pros and cons as the line item budget. He stated it was accountable, but it did not give any good quality assurance of performance measures.

Mr. Chapman went on to explain program budgeting. He stated this was more in-depth and looked at organizational structure and the costs of doing a particular service. He stated the bad part was that it required structural consistency within the budget between accounting and the organization. He stated that people had to be put in certain payroll codes and in certain budget areas so they could track what the actual programs cost. He further stated this type of budgeting was more labor intensive and more accounting controls were needed. Currently, this could be used for the Air and Sea Show, which was a particular service that was done that had different areas involved.

Commissioner Trantalis asked if the City had ever used this type of budgeting. Mr. Chapman replied they had not.

Mr. Chapman stated that performance budgeting was what was coming out of Washington, D.C. and being talked about by the President. He stated the good part of this would show individual costs, but it took a high level of administrative costs to monitor the actual performance measures. It was also difficult to come up with adequate performance measures to measure the service that was being produced. In using this in connection with the Police Department, one would not want to measure how many arrests the police made because if they were doing their job, one would expect to see arrests go down. In performance budgeting there was a tendency to decrease the budget as numbers went down. Currently, they collected performance measures from each department within the City, but they were not used in determining budget levels. He reiterated the Federal Government was trying to do this.

Mr. Chapman went on to explain zero-based budgeting. He stated that this was originally invented by corporations back in the '60's. In the '70's the State of Georgia attempted to use this and ended up modifying it. He explained that this type of budget started at "0" and looked at every cost associated with a program and had such costs justified. Generally, he explained there was not enough technical expertise available for this. He stated it was performance and program based.

Commissioner Trantalis asked how they could determine if a department or person was fulfilling their performance. Mr. Chapman replied it was very subjective. He further stated that it was hard to put a number on economic costs, and zero-based budgeting put a number on everything. He stated it was used to determine whether one should be in their business or not. Mr. Chapman further stated that most governments used this type of budgeting.

Commissioner Trantalis asked if this type of budgeting should be implemented. The Acting City Manager stated that if the City went to pure zero-based budgeting, it was a different level of analysis and staff requirement. He further stated that if the department heads had to justify everything they did, they would be closing down the government for the better part of a month in order to determine what they needed to do.

Commissioner Moore stated that the comment regarding the closing down of government in order to do zero based budgeting was misinformation. He stated that it was incorrect to make such a statement. He agreed it would require more technical aspects and more time.

The Acting City Manager admitted that he had misspoken.

Commissioner Moore stated that he did not think they would do zero based budgeting every year, but he believed it was something that one could do for a 3-4 year period of time in order to check themselves.

Commissioner Trantalis suggested that things could also be staggered and it could be done on a cycle basis. The Acting City Manager reiterated that he had misspoken and what he meant was that if they were to use zero based budgeting, they would have to do it on an incremental basis to the extent that they would have to analyze about 1/3 of the government in-depth each year over a 3-year period which would be doable. He felt they would probably have to go out for some consulting services because individuals would have to be trained in zero based budgeting. He stated there would be a heavy technical component at least the first year because of the training and then those people would have to assist with the analysis. He further stated that it would also impose a burden on the budget staff.

Commissioner Moore asked if anyone in the room could show by way of raising their hands, if they had ever done zero based budgeting. The Acting City Manager suggested that they ask the department heads what their experience had been with zero based budgeting.

The City Attorney explained that zero based budgeting was a pain in the neck and very intensive. He stated he was not sure they could gather all the information to justify each and every position in the City.

Bruce Roberts, Chief Police Department, explained they had tried it about 10 years ago and stated it was difficult because it was hard to quantify the delivering of a service to the community. He explained further they had tried to flip it into a time management perspective, but it was difficult to give specific counts. He stated they were more interested in the product relationship to the service they delivered.

Commissioner Moore stated that if they wanted to get to their budgetary problems, then it was his feeling that they needed to justify what was being done and how it was being done. He stated this concept would provide such an opportunity.

Commissioner Teel stated if they were discussing manufacturing of a product, then it would be predictable and uniform, but when they were talking about arrests of murderers versus pickpockets, then they were talking about two different things and how could the time be quantified. She felt it would be impossible to do in regard to the human aspect. She stated they could discuss capital improvement programs, but then there was the elusive value that one neighborhood wanted beautiful entrances, while another wanted crime control. She asked how they could apply zero based budgeting to a City budget because it appeared that it would be extremely difficult and time consuming. She felt maybe they should use a combination of systems.

The Acting City Manager stated that they needed to decide what type of budgeting was needed and what types of resources were needed. He stated if they were going to do a portion of the government each year with a zero based approach, then they would have to decide which sections were to be done each year. He added that he needed some type of direction from the Commission as to the approach to be taken.

Commissioner Moore stated that after going through the City's budget process for the last 2 years, he hoped next year's process would be different. He stated they had pitted one employee group against another, and he did not want to see that happen again. He further stated that even though zero based budgeting was harder to deal with in regard to a non-manufacturing position, it would still state that a number of employees were needed to meet the goals of the community and their standards. He stated that would give them the chance to evaluate if a service was valuable or not, and he felt they would be able to appropriate the budget better if they had a better idea of the costs of the services and the number of individuals needed to supply those services. He stated then they would be in the position to make a decision that was not an emotional one. He felt in some cases now, they were operating from the heart and not by the numbers.

Commissioner Moore stated if they were to do a zero based budget, then he did not want to do it in the true technical sense, but he wanted a review of the personnel required to meet the standards requested.

Steven Chapman stated that they could produce something whereby the departments could produce certain services and a certain number of employees were assigned to those departments with a certain allotted amount of time to perform the required services, adding an overhead amount which would provide an approximate cost of the services being provided. In that way, they could then determine if that service should be continued, increased, or discontinued. He explained that system would be more on a program based side and would be more doable in a shorter period of time with less subjectivity.

Commissioner Trantalis stated that some departments would be more doable for such a system than others.

The Acting City Manager stated that technically they could do zero based budgeting for every department. He further stated that they would be putting one department against another because if they did it for one, they would have to do it for all of them. He remarked that the system could be tweaked.

Commissioner Trantalis suggested that possibly they could use it just for certain programs. The Acting City Manager further stated that another thing that zero based budgeting would not necessarily tell one was what was appropriate for the public. He remarked there were certain things that the public could do and should do, but did not necessarily have to do.

Commissioner Moore stated it was simply governing and when they stated the Police Department could be bettered by zero based budgeting, it was not true. He stated if they had a certain number of police officers, then they needed to validate why they had that number, and determine if that number should be revised. He stated it was based upon the production and not on the number of tickets written, the number of people arrested, or the number of murders solved, but on the proficiency and efficiency of the department. He explained that zero based budgeting gave them the chance to validate things.

Mayor Naugle stated that it was a management decision as to where to start and see where money could be saved.

Commissioner Trantalis suggested that possibly they should do it on an informal basis at this time. The Acting City Manager asked if the Commission wanted to go to a zero based budget or a modified approach on a 3-year cycle. Commissioner Moore replied that would be a good starting point.

Commissioner Teel stated she felt it was up to the Acting City Manager because it appeared they were in agreement that it would be a good process to use, but that it would depend on timing and the available resources. The Acting City Manager replied that he would need some outside support.

Commissioner Moore suggested that they build a consensus that this was what they wanted, and then when the new Manager came in he could come in with the concepts as to how they would carry that out. He reiterated that he did not feel this was something they should do now. He stated that from this workshop he wanted to obtain the concepts of how they would contain and control the budget and measure up in the future. He stated that he did not want them to start something with the inter-management that might be done differently once a new Manager was selected.

Mayor Naugle remarked that before Commissioner Moore had joined the meeting, they had arrived at a consensus that the budget process started in February, and that they had no choice but to proceed forward with the budgeting with the Acting City Manager.

Commissioner Moore asked what date had been given for the hiring of the new City Manager. Mayor Naugle replied April 1, 2004. Commissioner Moore said that when they

brought in the interim City Manager, they had stated that there would be a timeline for the hiring of a new City Manager.

Commissioner Hutchinson remarked that they had received nothing from MGT as of today. Mayor Naugle asked if a report could be provided at tomorrow's workshop meeting. Commissioner Moore stated it had been his understanding that a Manager was to be selected in March, and on board in April. Commissioner Trantalis stated that in reality that was not going to happen. Commissioner Moore asked when the timeline had been changed. Commissioner Teel stated that at the beginning it had been assumed or hoped that the selection would be made within 6 months. Commissioner Hutchinson stated it was taking much longer than anticipated. Commissioner Moore stated they had to meet the timeline due to the budget they were attempting to deal with. Commissioner Trantalis remarked that even though the timeline was not being met, they would have to proceed with the budget process. Commissioner Moore stated they needed to push the consultant that was hired to meet the deadline proposed.

Commissioner Trantalis remarked that the Ad Hoc Committee for the selection of the new City Manager had been very frustrated with the process. Commissioner Moore asked if the consulting firm had been hired. Commissioner Trantalis remarked that they had been paid partially. Mayor Naugle asked if a detailed report could be provided at tomorrow's meeting.

Mayor Naugle stated there appeared to be a consensus to look seriously at zero based budgeting and see if it would be appropriate for this year. The Acting City Manager stated that if the Commission was going to move forward with zero based budgeting in the future, then the quicker they got someone in to train on this type of budgeting and to lay the ground work, the better it would be over the next 2-3 years.

Commissioner Hutchinson asked what outside sources were being looked at in regard to funding.

Steven Chapman stated that with zero based budgeting, they would go back to the concept of the Commission office of having one assistant to six. He stated they had to start at a base line for this year, and six were provided and the department would have to justify their existence at the current budget level. He further stated that there were six individuals doing a certain number of services, and it was the number of individuals that was the problem.

Commissioner Trantalis stated that as policymakers, they would have to establish the standards, and the departments would have to come up with their own performance based standards. He further stated that the zero based budgeting was not exclusive from the other process. Mr. Chapman confirmed. Commissioner Trantalis stated that this would be an overlay that would allow them to look back and reflect if they were being effective and doing a good job.

Mr. Chapman stated that he felt they were really talking about program based budgeting because they wanted to know if a service was being produced at the best price, and whether it should be provided. The Acting City Manager stated they needed to justify de novo. Mr. Chapman confirmed. He stated they were more interested in finding out what the different programs the City was involved in and whether they were worthwhile. Mayor Naugle added they also needed to review who should do such programs. Mr. Chapman

continued stating that if the City were interested in privatizing a service, then they would have an idea of what it currently cost the City for such service. He explained that once one understood what things cost, then they could make good decisions.

Mayor Naugle stated there appeared to be a consensus among the Commission that they were interested in implementing zero based budgeting where possible this year. The Acting City Manager stated it would be a modified zero based program over a 3-year period. Commissioner Trantalis reiterated they were interested in doing this type of budgeting everywhere, but would stagger the departments.

Hector Castro, City Engineer, asked how he could use zero based budgeting regarding neighborhood services because they were not measured monetarily.

More information was to be brought forward to the Commission.

FISCAL FUNDING PRIORITIES

The Acting City Manager stated that he wanted to go through a variety of things that he felt was necessary in dealing with this year's budget.

10-Year History of Assessed Values, Tax Rates, and Tax Revenues

The Acting City Manager stated that the first item was an indication of what the 10-year history of assessed values, tax rates, and tax revenues had been, and the extent of new construction over a period of time so they were on a wave length as to what the millage rates had been, and the revenue received. He continued stating that there had been a history of decreased assessed values for various neighborhoods. He explained there would be an impact. He stated they would have to look at revenue enhancement options, and one of the things they had to look closely at was the question of tax increases and to what extent they were justified based on the requirements they had this year regarding expenditures.

Mayor Naugle stated that he was disappointed in the exhibit regarding how it showed millage rates. He further stated that it did not show how much the taxes had been increased. He explained this was what was advertised to the taxpayers. He stated the millage rate fluctuated based on the increase in assessment, but the actual amount of money raised from taxpayers had increased significantly every year.

Commissioner Trantalis stated that the millage rates went down, but taxes increased. He stated that the 11% described in increases had really not affected the homesteaded properties. Mayor Naugle stated it was averaging the non-homesteaded and homesteaded properties.

The Acting City Manager stated that they needed to understand the difference between a tax increase and a tax levy. He stated the levy was the total amount of taxes collected which would go up and down based on the millage rate, plus the assessed property values. Mayor Naugle added that the figure had already subtracted the new construction.

Commissioner Moore stated it was positive that the millage rate went down, but the property values rose.

Mayor Naugle reiterated that some people were under a misimpression about taxes. Commissioner Moore stated that they as policymakers had not increased taxes, but they had been fiscally responsible in creating tax values. He remarked that because the values were growing that was not a negative thing. Mayor Naugle stated it was good.

Commissioner Trantalis stated if they continued to use the tax monies to enhance the City's quality of life would they be turning off the tap and inhibiting the growth of quality of life in the City by lowering the millage rate, thereby denying expansion of the fringe neighborhoods attempting to get developed. He asked if that process would be stopped by lowering the millage rate.

Mayor Naugle stated it appeared everyone was caught up on the millage rate and not focusing on the amount of monies that had been collected. He stated the millage rate was a needless figure because some years it went up and others it went down. He reiterated the bottom line was how much money was being collected, and how much money it cost for the services being provided. He explained that when taxes were increased sometimes it caused property owners to have less money in their pockets, and there were less jobs created. He felt they needed to focus on the cost for the services provided compared to other cities. He stated they needed to do benchmarking on costs of services. He explained that values fluctuated so much and reiterated that the City had healthy tax increases every year, and he was certain there would be a property tax increase this year. He felt there would also be increases in user fees and other services if for no other reason than to make up for the one-year revenue from the amnesty program and other rollbacks.

Commissioner Trantalis stated that he was concerned with the increase in the value of the property that certain areas would benefit from such investment, but by stopping at that point they would be shortchanging the communities. He reiterated that if they lowered the millage rate too much, they would be saying the job was done.

Commissioner Moore reiterated that it was how they used the revenue that was collected that was important. He asked if the Mayor thought the millage rate was insignificant, then why did they roll it back. He stated if they did not roll it back and they continued to negotiate with the bargaining units offering them automatic increases for benefits, salaries, and other amenities, then they would be unable to perform properly. He stated further if they kept the millage rate at a certain amount and did not roll it back, they might have some reserve funds. He stated that the millage rates in the other 29 municipalities within the County went up, but this City was one of the few that rolled it back with a consistency they had during the last 5 years. He stated he wondered if they had not rolled it back, where might they be now. Maybe they would not be requesting the citizens to pay for horses and other things, and possibly have a reserve for "rainy day" issues.

Commissioner Moore asked if it would have been more practical instead of employees taking furloughs to have money to pay them. He stated the fact was they were a healthy City financially with revenue, but it could be better. He further stated that if they dealt with zero based budgeting, then they could go to the taxpayers with a clear conscience saying the City was being run as efficiently as possible. He felt the millage rate should not be rolled back at this time.

Commissioner Hutchinson stated that they needed to look at the costs of the services and if their costs were too high, then they needed to find a cheaper way to do business. She felt they provided some of the best services, but they might be at a higher cost to the residents. She stated that they needed to possibly provide services at a more balanced rate.

Commissioner Moore stated that they had looked at a 60% salary level because prior to that they had been at 70%. He reiterated that they wanted quality employees and they felt the 60% salary level would provide such employees.

The Acting City Manager reiterated that focusing on the millage rate did not tell the story. He stated that this year they should give 2-3 scenarios regarding a typical homesteaded household, and also include commercial and rentals so they could find out what the implications would be on those properties due to imposing a certain millage rate.

Commissioner Trantalis remarked that it depended on the market. The Acting City Manager stated they would probably have to look at 5-6 different properties in various areas that had a history of 5 years in order to make a comparison. He felt they needed to understand the implications of a tax increase on individuals moving from property to property losing their homestead exemption. He stated they also needed to check and see the number of individuals who were paying minimal taxes.

Commissioner Moore stated that many rental units were paying above what some mortgage holders were paying. He felt the key was to have a government that valued continued growth.

Fund Balance Policy, Stabilization Fund, and Debt Ratio

The Acting City Manager stated that one of the things that had come up through Moody's and other bond rating firms was their concern for the lack of reserve the City currently had at this time. He stated that one of his first priorities was to work up a plan to restore the fiscal integrity of the City regarding reserve requirements and arrive at a stabilization plan. He stated that when times were good, they should put monies away for a rainy day. He stated that would be over and above the reserves. He explained that reserves should not be drawn down. He proposed that they look at an aggressive program to re-establish the reserves over a 2-year period, along with addressing the policy of establishing a stabilization fund. He felt they should put aside about \$7 Million to \$8 Million this year. He explained that reserves usually ranged between 7% to 10% of the budget. He stated the City had a budget of \$200 Million.

Commissioner Trantalis asked what percentage had been used in the past for the reserve funds.

Terry Sharp, Finance Director, explained they had been at about a 10% range.

Commissioner Moore asked what Moody's and the other rating firms believed the percentage should be for such funds. Mr. Sharp replied that 5% to 15% was appropriate. Commissioner Moore felt their first goal should be to meet the minimum percentage required.

The Acting City Manager stated they also needed to look at the Stabilization Fund, and that was why he had used the \$7 Million figure. He added they also had to put monies into the Contingency Fund, and before they could look at the operating costs of government, they had to put aside \$7 Million to \$8 Million because they had spent down the reserves.

Mayor Naugle stated that he had supported that as long as they look at how to cut expenses and where they could save and privatize.

Commissioner Teel reiterated that they were paying now for the follies of the past. She stated they had overspent and now it was time to "pay the piper," and hopefully it could be maintained in the future.

Commissioner Trantalis asked how they had achieved the rating the City had since they had less than 10%. Mayor Naugle remarked that they were now tied for first place for their bond rating with Orlando and Tampa, and in order to be #1 again, they would have to have strong revenues and reserves.

The Acting City Manager stated there were two other points. One was that when they looked at the City's overall health, they also looked at the City's taxing capacity. He admitted they did have a problem regarding their reserves at this time, but if there was the political will to do something, the fiscal health of the City could be restored.

Commissioner Moore stated that he believed the reason the City's bond ratings had gone down were due to the fact that they had such a low millage rate, and that the media kept stressing the financial problems of the City. He stated the bond rating firms then questioned if the City knew what they were doing. He stated further that the City's rating had gone down when someone came into a public meeting and stated that the City needed to reorganize. He explained that the rating companies looked at them as a policy making board that would have the ability to run the government as a business. When they saw a millage rate of 4.8 and the fact that the City had large deficits, they did not want to loan more money to them. He reiterated that was reality, especially when they saw the City consistently take away the revenue that made the government strong. He further stated then there were layoffs and cutbacks, and the media kept stressing that the City was in a "budget crisis." He reiterated the City was not in a crisis, they had just not increased the taxes.

Mayor Naugle stated that was not true because the only City that had a financial emergency was Miami who had to have a State agency come in and take over. He stated they had reached their cap and then had drowned in their own revenue. He stated that was what happened to this City. He reiterated that they were a high cost city with high revenue and high expenses. He stated their cost for providing services was the highest in comparison with other cities. He further stated that they needed to do benchmarking. He felt they had a spending problem, not a revenue problem. He stated unless they realized there was a problem, it would never be solved. He stated they were addicted to spending other people's money and they couldn't stop. He stated that numbers did not lie, and they needed to compare themselves with other cities because that was where the truth would come out.

Commissioner Trantalis stated that the one thing missing was performance based budgeting. He asked if they were doing such a great job at these prices that the costs were justified.

Bruce Roberts, Chief Police Department, stated that this City's crime rate had been reduced the most compared to the top 10 cities during the last 5 years. He stated they ranked about 5 or 6. He added that this City had extra activities to deal with in comparison to other cities, such as the amount of tourism and special events. He added they also had most of the social services located in the City and that had to be dealt with also.

Mayor Naugle remarked that this was similar to other large cities in the State.

Commissioner Moore asked why they kept throwing money into the jail because he felt that had been irresponsible. He stated it took them 10 years to do something they should have done a long time ago. He remarked it was not just about the cost of employees, but it was about making good business decisions. He used the Stadium as another example. He stated that over the years when they were losing large amounts of money, he kept stating they needed to let it go, but instead they kept dealing with emotions. He remarked that good business decisions had not been made, but then they turned around and stated they were basing their overspending on employees. He remarked that was not the problem alone, but when they saw things were not doing well, they needed to get rid of them.

Mayor Naugle stated that he supported the reserves and Stabilization Fund. Commissioner Trantalis agreed, but stated that he was concerned about increasing the taxes and telling the citizens they were putting away those monies. The Acting City Manager stated that they had drawn down the reserves by \$10 Million in 3 years, and now it was time to "pay the piper."

Debt Ratio

The Acting City Manager stated that their debt per capita had decreased over the past 2 years. As a point of reference, they had attempted to find out the legal limit of that, and what a rule of thumb would be for a prudent level for the debt side. He stated they had an assessed value of about \$21.5 Million. In some states there was a limit of 10%. Normally, he stated that a prudent city would not have more than 10% to 15% of the legal debt limit. He felt this City should have no more than \$320 Million of debt, and prudently should not have less than \$200 Million. In looking at the total amount of this City's debt, it was \$191 Million this year and rose to \$198 Million for next year because of increases in the CRA. He explained that even with those increases, they needed to look at the decrease in total General Fund debt from \$86 Million down to \$80 Million. He stated the bottom line was that from the point of view of debt service and debt burden, the City was doing fairly well.

The Acting City Manager further stated they could take out more debt in order to finance projects. He felt they should be looking at bonding for outlay costs in the future. He stated they had the \$120 Million bond for November and there was enough money to cover it. Commissioner Moore asked if that included the jail.

Chief Roberts stated that the basic plan called for no jail, but there was a contingency plan for a smaller facility.

The Acting City Manager explained that the bond included the fire stations, police, and relocation of the Public Works and Parking Divisions, along with Public Services. He explained further that the golf course was a separate bond issue for \$5 Million. Commissioner Trantalis asked if that included City Hall. The Acting City Manager replied it did not include City Hall.

Commissioner Moore stated that Orlando had built their City Hall with a great concept of a public/private partnership. He felt Fort Lauderdale should look at such opportunities. Commissioner Trantalis asked if it had been a joint venture. The Acting City Manager confirmed. Commissioner Trantalis asked about the status of the committee that had been set up between the City and County regarding the Governmental Center. Commissioner Hutchinson explained that had just been for the selection of the site. Mayor Naugle replied they had not gotten back to the City as of this time.

Revenue Enhancement Options

The Acting City Manager stated that he wanted to look at user fees and analyze them as to what should be financed or subsidized.

The Acting City Manager continued stating that one of the things he wanted to stress was the fire assessment fee. He stated that the current fee recouped about 52% of the fire costs, and he wanted to increase it to 100%. He added that the increase would be about \$60. He also wanted to look into expanding that to non-profits and other government buildings that were not taxed or assessed. He added that between the non-profits and other governmental agencies, they would be looking at a \$3 Million revenue potential. He stated there needed to be a valid public purpose served if they taxed non-profits.

Mayor Naugle asked if it was possible to assess the other governmental agencies, but not the non-profits. The Acting City Manager stated it was possible, but the problem was they would get into the question of sovereign immunity. The City Attorney stated that it would depend on the governmental entity. He stated if other municipalities owned property in our City, then it could be taxes as long as it was not used for municipal purposes.

Commissioner Moore asked for a clarification of non-profits, and asked if they were speaking of churches and such organizations.

Horace McHugh stated that the non-profits were at about \$1 Million to \$3 Million.

Commissioner Moore reiterated that he was not interested in going down that road.

Commissioner Trantalis suggested that it could be appropriate to implement a voluntary program because it had been successful in other municipalities. Commissioner Moore emphasized he was not in support of that.

Commissioner Hutchinson stated that as policymakers they would be providing the services to such facilities, and the question was what portion of those services were

being provided that the City was not being paid for. Mayor Naugle replied that they did assess alarm fees. Commissioner Moore reiterated this would be a “no win” situation. Commissioner Teel stated that they should at least explore the matter. Mayor Naugle stated he would like to see a survey from other cities in this regard.

Commissioner Hutchinson stated that some non-profits could not afford it, and overall what was the difference in the residents picking up the tab for the governmental entities who could likewise be paying.

Otis Latin, Chief Fire-Rescue, stated that they had never proposed going after the governmental agencies or the churches because they believed there was a public purpose. He stated the churches provided a lot of services that the governmental entities would not provide. He reiterated that out of the \$1 Million quoted, probably about \$300,000 would have come from the churches being assessed. He felt they had never had to pay, and he was not aware of any government in this County who charged.

The Acting City Manager stated that there was no local government in the County doing this, but the reason it came up was because there had been a case where a city had assessed non-profit entities and had been challenged in Court. The Court held that they could be assessed, and the only exemption was if there was a public purpose being served. They had defined public purpose that if the City was providing the same service, they would not be charged, but the City was not in the business of postulating.

Mayor Naugle stated he would like to tax the other governments, but he was not sure they could do that.

Chief Latin stated that they would provide some further information to the Commission.

Fully-Financed User Fees

The Acting City Manager stated that they were currently at 52% that came to about \$62 for the fire assessment. He stated they wanted to raise the fee to \$120. He explained that would bring them up to 100% of the fire costs and if they assessed the other governmental agencies, and the non-profits.

Commissioner Moore asked if any other governmental entity in the County who were assessing fire fees at 100%. The Acting City Manager confirmed. Chief Latin replied that Lauderhill did. The Acting City Manager replied that the City’s fire assessment fee was about in the middle.

Chief Latin stated that one of his concerns was the businesses because if they went to 100%, the businesses would be assessed very high, and if that was done they needed to show a breakdown to the citizens. He reiterated if it was the Commission’s desire, he did not have a problem going to the 100%.

Mr. McHugh stated this could be included in the analysis when they returned before the Commission. He explained the commercial properties would be pro-rated and in some instances it was \$10,000 to \$20,000, and if those amounts were doubled, there would be huge impacts.

The Acting City Manager stated that he was concerned that with such an increase, they were looking at \$9 Million that would help the City.

Mayor Naugle passed the gavel to the Vice-Mayor and left the meeting at approximately 3:35 p.m.

The Acting City Manager stated that they wanted to come up with a user fee schedule and how they were to be financed. He further stated that he wanted to fully finance all permit and license fees, and anything that had a direct user charge that did not serve a public purpose.

Commissioner Moore asked if anyone could supply the permit cost information.

Cecelia Hollar, Acting Director of Public Works, stated that recently they had increased their building permit fees to be more commensurate with the costs involved. An area they were looking at was the Development Review fee that had not been increased for quite some time. She stated that as they increased the fee that was to cover the services provided and not to be used for other City activities.

Commissioner Moore stated that the fees being charged now were not covering costs, therefore, they were subsidizing that department. He felt if those departments also went to 100%, then the money given could be directed to another area. He asked what was the cost to run Ms. Hollar's department. Ms. Hollar stated that the Construction Services budget for last year had been about \$7.4 Million, and they had come in with a revenue expectation of about \$1 Million beyond that amount. She stated that at some point they needed to look at this because their revenues needed to be balanced with the cost of the operation. She believed they needed to be taking the revenue and applying it towards more people.

The Acting City Manager stated that the departments should be looked at separately.

Ms. Hollar stated that they were now taking some of the revenue and not putting it back into the department, and it was affecting them from a regulatory standpoint.

The Acting City Manager stated that they needed to look at each department and see if they were fully financed, and if not, see what the level of subsidy was and what costs were being covered.

Commissioner Trantalis remarked that the fees were basically hidden taxes. The City Attorney stated they were not. The Acting City Manager stated that led to the discussion of what was the public good, and some services were targeted to one individual. Commissioner Trantalis reiterated that building permit fees were for the public good in the respect that they kept up building standards. The Acting City Manager stated that this was determined by an individual, and asked why someone should pay for it that was not building.

Expenditure Needs

The Acting City Manager stated that this led to the concern about "one shot fixes," and that things had been removed from last year's budget that should have remained, such

as capital outlay. He stated that at one time there had been an accelerated CIP that had been zeroed out. He stated this would go back to restoring those monies.

Preventative Maintenance

The Acting City Manager stated the City was in a historical pattern of building things and then not maintaining them properly. He stated if they wanted the citizens to support bond issues in the future, they had to indicate that the City would properly maintain everything both from a preventative point of view, and in regard to ongoing maintenance. He stated they had to include in the budget costs involved in doing business.

Basis for Savings Target

The Acting City Manager stated that in looking at the City's expenditure needs for 2005, they needed to understand that the \$15 Million included not only restoring the "one-shot deals" in this year's budget, but also including reductions on the expense side. He stated that in Exhibit 6 they still had a way to go. He explained that in 2004 they had made cuts, along with reallocation of resources, amounting to about \$12 Million. He stated they would have to look at financial discipline for 2005 for complying with the limits set back in December, 2004.

Commissioner Moore stated that items F-4 and 5 required a lot of time and should be included in tomorrow's agenda when the Mayor would also be back in attendance. He suggested they be included on the agenda as 5-D, 1 & 2.

Programs/Initiatives

The Acting City Manager stated that one of the concerns raised were that there were a lot of activities this year due to funding resources and staff constraints that were unstaffed and unfunded initiatives. He stated that everyone needed to understand that if they wanted to go forward with the current initiatives, they had to be funded and fully staffed. He explained in talking about unfounded initiatives, they were talking about not only the initial cost of a CIP, but if a project was being undertaken, there was a first-year cost, but then there would also be a balloon cost for the second and third years. He further stated that had to be considered. He explained that some of the items funded in CIP this year would require a higher level of activity and budget requirements for next year. He stated they wanted to present the CIP budget at the same time as the regular budget.

The Acting City Manager stated that they also wanted to indicate the items that they did not have staff for or would have a delayed response due to lack of staff or funding. He explained they were ongoing activities that had to be staffed or fully funded or would have to be removed from next year's budget.

Commissioner Teel asked if they were to review each item on the list separately. The Acting City Manager replied that next year there should be no cost to the budget regarding the Air & Sea Show. Commissioner Teel stated it was her impression that they had voted that they would not pay more than \$100,000. The Acting City Manager stated that was for this year's show. Commissioner Teel stated that she did not get the feeling that was what was happening.

Bud Bentley, Assistant City Manager, stated that next Tuesday's meeting had this as an agenda item dealing with the dates and showing a comparison of last year's expenditures with this year's proposed expenditures. He further stated that he believed it was around \$58,000. Commissioner Teel asked if that included in-kind services. Mr. Bentley stated he would check on that, but he believed it involved direct expenses. He stated that they did not charge in-kind or soft costs to any other events either.

Commissioner Trantalis stated if it was identifiable and quantifiable, they wanted to know what the soft costs were. The Acting City Manager stated that those numbers would be provided.

The Acting City Manager stated that he wanted everyone to be aware of what was actually on the table before adding anything new. He asked if the Commission had any new programs or initiatives that they wanted him to include.

Commissioner Moore suggested that they take the new programs at the start of tomorrow's meeting, and then they could complete the agenda.

Commissioner Moore stated that tomorrow the new programs would be the first items addressed, and then they would add D to #5 that was the basis for savings and additional services. Then, he stated they would review the compensation package.

Commissioner Moore asked if there was any recommendation that tomorrow's meeting be held at a different location. There were no other suggestions made.

It was announced that tomorrow's meeting would begin at 1:00 p.m.

There being no other business to come before the Commission, the meeting was adjourned at 3:53 p.m.