

**MINUTES OF CITY COMMISSION BUDGET WORKSHOP
WEDNESDAY, FEBRUARY 25, 2004 – 1:00 P.M.
EXECUTIVE AIRPORT CONFERENCE ROOM**

Meeting was called to order at 1:10 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
Commissioner Trantalis (entered meeting at 1:16 p.m.)

Also Present: Acting City Manager
City Attorney
Assistant City Clerk

The Acting City Manager announced that they were quickly approaching their goal for the Community Inspections Amnesty Program, and stated that as of noon today they had collected approximately \$510,000. He stated that he anticipated there would be about \$10,000 to \$20,000 of add-in costs regarding administration of the program.

Lori Milano, Director Community Inspections, stated that administration costs would probably run about \$10,000 to \$12,000.

The Acting City Manager further stated that the question being asked was if they exceeded their goal would there be pressure to spend the monies. He suggested that the extra monies be placed in the reserves after taking out the administrative costs. He proceeded to thank everyone involved in the program for their hard work and efforts.

The Acting City Manager stated that at yesterday's workshop, they had left off with the unfounded or unstaffed initiatives which had been cited for this year, and left with an assignment to add any new initiatives for this year that might be desired by the Commission.

ORGANIZATIONAL ISSUES

Are Organization Changes Appropriate at this Time

The Acting City Manager stated that normally when they dealt with budget items and the preparation and presentation of the budget, they looked at the fatality of the resources both on the financial and personnel resource side. He further stated that they also needed to look at the type of organization they had, and how they should organize and implement the projects and programs available. He added that this was a different situation, and the question was whether an organizational change or reorganization at the current time would be appropriate.

Normally, he stated if there was an Acting City Manager, he was a caretaker and provided a point of transition, and did not make wholesale changes in the work force or organizational structure. He explained that he was torn on this issue because in one case he saw himself in an acting role, but from another point of view he had requested

many employees to engage him in discussions at levels regarding reorganization. Therefore, in one respect he should not be proposing any type of reorganizational structure, but from another point of view he felt he had a professional responsibility to say he had observed the structure, and in his professional judgment he felt there were things that could and should be reorganized.

Commissioner Trantalis entered the meeting at approximately 1:16 p.m.

When Should Organizational Change be Implemented

The Acting City Manager stated that with the cuts made in personnel, there had been many realignments within various departments, and in many cases those realignments had placed an added burden on some individuals and they had to shift loads and deal with such situations. He further stated that in looking at the question of the budget and how appropriate it was, they looked to the extent where there were things in services that they should or should not be doing. He stated there was also the question of privatization. He added this was the time to consider reorganization. He stated the question was should they wait to reorganize or was there an overriding interest that they should move forward regarding some items on an organizational structure basis that seemed to be obvious.

The Acting City Manager stated that they needed to review all the resources necessary to get the job done effectively. He stated that he had spoken with some individuals regarding this matter. He stated there appeared to be a recognition that an Acting City Manager should be prescribed from doing things that had a permanent nature, but from another point of view some individuals had indicated that there were structural changes which were appropriate at the current time. He stated he wanted to put on the table as to whether the City Commission with management wanted to put together a reorganization package as a prelude to moving forward with the budget. He further stated that it would be with the understanding that this might be viewed as inappropriate and should wait for the new City Manager. He stated that for all intents and purposes, the organizational structure of the City was part of the social compact between the Commission and the Manager, and was not solely the product of management.

The Acting City Manager continued stating that there would obviously be impacts on how the budget would be crafted. He felt if they moved forward together it would be a lot easier.

Mayor Naugle stated that they should take hold of the opportunity of obtaining a fresh outlook with the City Manager presently available without making a commitment.

Commissioner Teel stated it was a good opportunity to get his opinion whether it was something that would result as part of the new organization or not, but they could take advantage of the experience of the Acting City Manager, and possibly the new City Manager might want to incorporate those ideas or not.

Commissioner Moore stated that it was always good to have dialogue with management and understand their views, and there was no harm in obtaining different opinions. He stated that he wanted to have an opinion of value, and due to the size of this City and the experience of the Acting City Manager, he did not think it would be an appropriate situation of time management. He stated that due to the budget cuts made and the

grappling of each department manager attempting to operate under such cuts, he felt that was where everyone should be focused. He stated their focus, through the Acting City Manager's guidance, would be to recruit a new permanent City Manager. He further stated that they needed a Manager who had operated a City of this size, with the work force this City had, along with the complications of a government of this size. He appreciated what the Acting City Manager had done and was still doing, but due to the reductions in employees and the cuts in the budget for each department, he felt the department managers were having a difficult time and did not need an additional burden of reorganizational discussions taking place.

Commissioner Moore stated that due to the time already spent on this matter, he would gladly review the material and accept a white paper on the subject. He stated that when they expedited the selection of a City Manager, then the Commission could sit with him and review the materials, but he felt to do it beforehand, there was the chance the new Manager would have an entirely different concept. Therefore, this exercise would be a complete waste of time. He stated he did not feel it was a necessity for them or staff to go through the exercise of a reorganization at this time. He reiterated that he would like to see what had already been done.

Commissioner Moore stated that with all the changes that had been made, along with the reduction in staff, did management feel it was more appropriate to focus on working things out or deal with a reorganization. He stated that he really wanted to hear management's opinions.

Bruce Roberts, Chief Police Department, stated that they had disagreed in the past with the Acting City Manager. He stated that with the changes being made at this time, along with the budget impacts, they had to reorganize their departments, and they needed to give those changes a chance to work out and see how things progressed before making any new structural changes. He further stated that they had set forth their priorities and programs which were still an ongoing process, and they needed time for things to settle. He felt it would be appropriate to take a fresh look at things again next year. He stated that they had yet to operate under the full impacts of the budget to see if they could have the same success with the changes that were made.

Commissioner Trantalis stated that it was his understanding that with the budget reductions, the organization was attempting to deal with the reduction in reserves, staff reductions, and to add structural changes at this time might not be a good idea. He asked if the implementation of a reorganization was due to the reduction in the work force. He thought they were only attempting to stay on the same path, but with fewer people. He stated that what was being proposed was something far more fundamental, including a complete reorganization.

The Acting City Manager stated that when they did that, they also had to impact the individual departments. Therefore the answer to Commissioner Trantalis's question was yes and no. He further stated that one of the concerns he had was that he did not know enough about fire or police operations and programs to evaluate and reorganize those departments. He felt they would need an external consultant to help work things out, along with the chiefs of the departments. He stated he did not foresee there being an impact to fire and police, but felt there would be impacts on other departments.

Commissioner Moore stated that this was a fundamental change and was the foundation of how to operate. He continued stating that if the new Manager walked in with a different methodology, along with more experience in understanding the fire and police operations, which would be an added value for the City. He stated then the department managers who had spent a lot of time working on this reorganization under the interim Manager, would have to do the work all over under the permanent New Manager.

Commissioner Moore stated further that based upon the changes made in the budget and employee work force, there was a structural change within the departments, and if a person was taken out of that process and put at a table discussing future reorganization, then they might allow the changes already made not to be successful. He felt they needed to manage the store that they had been given. He did not think they needed to go out and "make purchases for the next winter." He felt they needed to prepare and get through this season, and then wait for the new Manager to implement any fundamental changes.

Chief Roberts added that they had made changes in their organization and it had not just been a shuffling of individuals. He explained that an entire division had been eliminated which was the Community Support Division. He stated they were looking for ways to prioritize those functions under other areas. He advised they had 30 less positions in the department that forced them to make structural changes.

Otis Latin, Chief Fire-Rescue Department, stated that they also had made some structural changes due to the reductions in the budget. He stated that in their savings plan they had outlined structural changes they were going to make in the department in order to meet the obligations. He stated that they had also eliminated one entire battalion and now only had 3, thereby restructuring the entire operation. He added that in their administration they had 3 battalion chiefs over bureaus, and in order to reduce overtime they had reduced those chiefs to operations. Then, he stated there was a structural change so as to have bureau offices that would have additional requirements to man such operations.

Chief Latin stated they reduced the lieutenants to 3 in training, and all others were moved to operations to reduce overtime. He further stated that in regard to administration, they had additional people assigned and they were moved back into operations. He explained that did put a burden on the individuals left in administration and they were trying to do some restructuring. He stated they needed time to see how all these changes were going to work. He added that they had also reduced about 16 firefighter positions in operations that had been eliminated.

Chief Latin stated further that they had also restructured the entire Ocean Rescue operation that they had taken over from Parks and Recreation. Some of the part-time lifeguards had been eliminated and they had restructured how the operation worked. He felt they needed time to have all these changes stabilize.

Cecelia Hollar, Acting Director Public Services, stated that they had a combined situation. She explained that they had a vacant permanent Director position available, and one of the policy decisions discussed with the Commission was to their desire to fill the position permanently. She stated that prior to the layoffs and the vacancy, there had been discussions that the scale of the department should possibly be broken into 3 departments consisting of Construction Services, Public Works, and Engineering. She

added that the department consisted of 650 people. She felt a policy decision needed to be made in that regard. She felt if they began delving deeper into those areas and began reorganizing, she felt there would be severe effects.

Commissioner Moore stated that from the operational management side, it was Ms. Hollar's opinion that there could be consideration for departmentalizing those 3 areas. Ms. Hollar confirmed. Commissioner Moore asked if she felt that would be a fundamental change that the Manager should or should not enter into. Ms. Hollar replied that it could be because they had to decide if they wanted to fill the vacancy of the Director's position or do away with it. She felt that was where the policy decision would come into play.

Commissioner Moore further stated that based upon the timeline for the selection of the new City Manager could that department survive. Ms. Hollar confirmed.

Faye Outlaw, Interim Director Community Economic Development, stated that her situation was similar to Ms. Hollar's. She felt they needed some decisions at this point from the Commission as to where they wanted to go from a policy standpoint, and did they want to rebuild the Economic Development Divisional function, not department. She stated that comments had been made that there was no Economic Development Department. She reiterated that was not true, there was such a department, but what they did not have was an Economic Development Division which would focus on the business of retention, expansion and retraction. She felt because that division had over a period of 3-4 years phased out, they had no staff positions functioning in that division at this time. She stated it created the impression that the department itself was not functioning. She reiterated that was not the case. She felt the immediate direction needed from the Commission was what their position was in regard to rebuilding that division. She further stated that they also needed some policy direction in regard to the concept of whether they should leave the CRAs functioning as two separate entities or should there be a consolidation of the CRA initiative. She stated that she had some discussions with the Acting City Manager in regard to where the CRAs should be placed. She asked if it should be a division within their department or should it be an agency functioning independently as a department within a department. She felt it did create some awkwardness being designed as it was, but functioning independently.

Ms. Outlaw stated that in terms of reorganization that they had implemented at the administrative level, she felt that with some of the cutbacks in Community Inspections, they had actually expanded the Code Inspector's area to accommodate the loss. She stated they had lost some inspectors and detectives and had to reorganize to accommodate those positions. She stated they had done that on an incremental basis, but she felt it would be helpful to have some policy direction in regard to the department level. She added that they probably had more acting positions than any other department in the City. She felt it would be a sigh of relief if some permanent decisions could be made regarding the Manager filling some of those positions.

Commissioner Moore stated that all the comments made went directly to the point he was attempting to make as to why they needed a permanent Manager. He added they had a manager form of government, and the recommendation as to how to deal with operations was the key to management. He felt the longer they played around with the selection process for the Manager, these issues were going to continue hovering around them.

Bruce Larkin stated that he had some frank discussions with BMT and with the Acting City Manager, and he had expressed during those discussions that while he was always interested in looking at better ways to organize themselves and to deliver services more efficiently, he did not feel that this was the time to put all those wheels in motion. He felt it would be unfair to the new City Manager to have all those parts in motion, and he felt that this organization had gone through a lot of turmoil in the last year due to reductions in staff, the budget situation, and the problems with labor relations. He remarked that morale was at an extremely low level and reorganizing took a lot of energy in planning and executing such a reorganization in order to make it successful. He felt in the process it also created some uncertainty and could lead to low productivity. He felt they could not afford that at this time. He felt there were some things that needed to be done, but the new Manager should review the situation and then decide if changes were needed.

Chief Roberts further stated that the changes in the budget due to the bumping situation caused them to have to retrain individuals. He advised that there were 16 PSAs presently in the Academy now. Similarly, he stated they had lost the month of February for parking revenues due to such training, and not having the efficiencies of the operation in place, he felt it was premature to move forward with a study for reorganization.

Terry Sharp, Finance Director, stated that he had taken the middle ground in his discussions with the Acting City Manager in that he did not see a need for major restructuring, but the issues which had been discussed for a number of years, he felt there were alternatives available to provide the Acting City Manager ample information for making some short term decisions. He further stated that he was reluctant to make other recommendations.

Commissioner Moore asked if the individuals dealing with the CRA could provide input on this matter.

Chuck Adams stated that his position was that it functioned best at the City management level. He stated there were two different areas with different responsibilities, and they should function under the City Manager.

Kim Jackson, Director CRA, stated that the Northwest CRA structure was different from the Beach. She stated that when one of those were operating independently, and the other having a reporting structure that went through a different process that created confusion. She stated that was compounded when they got into the budgeting process and interdepartmental relations. She stated that the economic development function provided that business in general was not being addressed. She further stated that the departments might have activities related to redevelopment and development going on, but did they have a cohesive way to address business, the answer was no. She stated that whether they wanted to address this on a short term or long term basis depended on how important it was to the policymakers to provide the service.

Commissioner Moore stated that this was serious and it frightened him where they were going.

Bud Bentley, Assistant City Manager, stated that he went back further in his thinking. He stated they had made many organizational changes in the last 11 years, and the

pendulum kept swinging both ways, but many of the changes had been made due to financial constraints and because of utilization of the available talent. He stated that Greg Kisela had been promoted to the position of Assistant City Manager for the purpose of bringing together and overseeing the operating departments, and his position had not been refilled. He stated that such consolidation had been made specifically due to saving money and efficiency. He further stated that they needed to take that into account. He felt there were two aspects in that regard. One was how many Assistant City Managers should there be in the City, and that would be a decision for the permanent Manager to make. He added that the other aspect was how the departments worked. He advised they had been discussing the size of Public Services. Mr. Kisela felt that department was too large for the 7th floor. Mr. Bentley felt this was an organizational issue that should come before the Commission now.

Mr. Bentley stated that changes could be made over time and that was how the organization was managed. He stated that the other section he recommended that the Commission look at this time and ask for a recommendation from the Acting City Manager was in regard to Community Economic Development. He stated there were pressures in that department for the last several years. He stated there were plans in the works for filling some of the positions temporarily, and dealing with how they would do economic development. He stated that department had a lot of disjointed and different activities. He felt the Acting City Manager and the Commission needed to decide how best to approach those elements, and if it was not done now it would continue to languish.

Commissioner Trantalis stated that in today's paper there was an article that IKEA was coming to Broward County, but Fort Lauderdale was not mentioned. He reiterated that such a new business would have been a benefit to the City.

Mr. Bentley stated that it was more than just a position of funding. He asked if the department director was going to be the ace high pay economic development person, there needed to be a very small lean department because if that department director was to be the head of Economic Development, then half of his time could not be taken up with code issues.

Commissioner Hutchinson reiterated that this organization was in a tremendous upheaval and in one sense there had been a sort of small reorganization. She further stated there was no doubt in her mind that there were some reorganization issues that they needed to focus on for this budget. She did not think they should languish for another year in regard to the departments that needed assistance or vacancies filled. On an interim level, small organization changes that had been pinpointed today could be reviewed, but she stressed that this organization had been through a tremendous time since last July. She added that it affected everyone involved. She felt additional burdens should not be placed on certain departments at this time due to their reductions in staff and reorganization. As a whole, she felt they needed to take a breath and she wanted to focus on who was going to be their leader, along with the budget.

Commissioner Trantalis stated that he did not want to lose the experience that the Acting City Manager had to offer, and suggested that possibly they could even retain him in a consulting capacity to add to the process, if he was willing to do so. He further stated that he felt they owed it to themselves to draw upon the talents of individuals that were available.

Mayor Naugle stated that he saw no harm in receiving recommendations and reviewing them at this time. Commissioner Hutchinson stressed that she did not want the departments to be overtaxed. Commissioner Moore added that the departments were unable to do what was now required of them due to reductions in staff.

Mayor Naugle asked if the information to be prepared would require a lot of time from personnel or would the Acting City Manager be doing most of the work involved.

The Acting City Manager stated that he would have to consult with each department head in order to find out what they felt was necessary, and then based on that information he would make a recommendation.

Commissioner Moore stated that a consensus had already been reached by management as to what needed to be done. They had just stated it a few moments ago. He reiterated they needed to deal with the matters arising from the budget cuts. He stated they should deal with the suggestions made regarding Economic Development and Public Services. He felt that any other dialogue or exercise should be to make the changes that were caused by the budget cuts and staff reductions and make them work. He felt the new Manager should then address those changes.

Mayor Naugle asked the Acting City Manager if he would be comfortable in making some recommendations regarding Economic Development and Public Services. The Acting City Manager confirmed. Mayor Naugle stated that on the Acting City Manager's own time, if he felt there were other issues that the Commission should look at, he could present such recommendations.

Mayor Naugle asked what was the amount adopted in last year's budget.

Terry Sharp, Finance Director, stated that the current year's adopted budget was \$377 Million, and the General Fund was \$215 Million. Last year's General Fund was \$206 Million.

Commissioner Moore left the meeting at approximately 2:03 p.m.

Mayor Naugle stated they had actually added to the budget, but it had not grown as it had traditionally. He felt they had to work harder and should do some reorganizing. He added that the work force had been cut about 5%, but it was not as bad as what other cities had encountered.

Commissioner Trantalis asked where the perspective regarding cuts had come from. Mayor Naugle stated that they had not ballooned as much as they had traditionally done in the past.

Mr. Sharp stated that the amendment from December had actually reallocated resources, and they had not reduced the total of the current year's budget with that amendment.

The Acting City Manager asked what had been the final outlays from last year's budget. He explained that a budget could be approved at the beginning of the year, but history had shown that last year there had been a "budget creep."

Mayor Naugle stated that once a year the Commission got to authorize what expenditures would take place, and the budget had not been followed in the past.

Commissioner Moore returned to the meeting at approximately 2:06 p.m.

The Acting City Manager stated that it was not really a question about budget control. He further stated that the expectations of continuing to spend as done in the past had not been realized.

FISCAL FUNDING PRIORITIES – EXPENDITURE NEEDS

Basis for Savings Target

The Acting City Manager stated that yesterday they had mentioned the question of restoring the reserves, along with the other types of “one-shot” deals not included in this year’s budget. He stated they had to reduce expenses, along with looking at the revenue side. He reminded everyone that in the two meetings that had been held in December, there had been a lot of stress caused in dealing with the reallocation of resources this year to the tune of \$12 Million. He stated that next year the reallocation of resources would be \$17 Million, and there were some departments this year that had implemented a higher percentage of their target than others. He remarked those departments had already established a sustainable level, such as Economic Community Development, City Manager’s Office, Office of Professional Standards, Public Services, and Finance. He stated they had already realized anywhere between 80% to 100% of their savings. He stated that with all the problems they had, there were some departments who in order to maintain their high for next year would have to maintain a very austere budget, such as the City Attorney’s Office, City Commission Office, Police Department, and Fire-Rescue. He stated that since the Commission’s Office could not cut back on salaries because they were a salary driven office.

Commissioner Trantalis remarked that possibly the target had been based on false assumptions. The Acting City Manager explained that the target had been that they would take the same reductions as everyone else. He further stated the City Commission Office did not amount to anything. He stated they were talking about situations such as in the Police Department where the target and goal amounted to a savings of \$6 Million for 2005, and a savings of \$2.3 Million for this year. He stated that in order to save another \$4 Million, it would have to be through salaries or revenue enhancement.

The Acting City Manager stated that he wanted to highlight the fact that next year’s budget would be as or more austere than this year’s budget, and he did not want everyone to think that the pressure was off.

Commissioner Trantalis asked if the figures had been based on a tax increase. The Acting City Manager explained that the figures had been based on a tax increase of about \$3 Million, but no reconstitution of the reserves. He added that they had to maintain the cuts they had and further cut \$4 Million from the base they currently had. For all intents and purposes, he stated that for a level service budget, they had to further reduce the figures by \$4 Million. Commissioner Trantalis clarified that out of the \$15 Million target, they would only be achieving \$12 Million. The Acting City Manager

reiterated that the target had always been \$15 Million, but they had told the departments that when they took the target they needed to try and do it this year, but if not they had to make sure they did it by next year because that was the sustainable year they had to reach. He explained that most of the departments took their substantial hit this year due to it rolling into next year. He further stated that some departments felt they needed more time to do it or they would do it next year. In some cases, there would be revenues that would kick in within the next year. He wanted everyone to be clear that the "bite" was not going away, and would be worse next year in regard to the service level than it was this year unless they had a sufficient tax or substantial revenue enhancement. He added the revenue enhancement they were talking about was for about \$10 Million to \$15 Million without salary increases. He added that the new construction would add about \$1 Million to \$1.3 Million in revenue this year, which included non-profits as well.

Commissioner Moore stated that there was a third component involved and that this was an unrealistic goal. In going through this process, they were talking about how to reduce spending, but once they looked at this they might have to take the alternative as well and modifications would have to be made. Mayor Naugle remarked that expenses could be lowered and they could possibly provide some services through privatization and save money.

The Acting City Manager stated that in regard to the goal being unrealistic maybe yes and maybe no.

Commissioner Trantalis added that even if they privatized department heads fees still had to be paid. Mayor Naugle stated if they paid only 70% that possibly the remaining 30% could be applied to another department that had a deficit. He added that the Stadium could be put out for bid. He felt there was the possibility of reducing expenditures through privatization. Commissioner Trantalis asked if those were appropriate areas to have the Acting City Manager make recommendations in connection with privatization.

Commissioner Moore stated that it was his opinion that in looking at the opportunities of what could be privatized in this City while looking at a \$17 Million goal, he felt there was only one department that could be impacted and he was not willing to consider dealing with that. He felt it was unrealistic. He further stated that if they privatized anything in an attempt to put a dent into that \$17 Million, he felt it would be unrealistic. He did not see the private sector offering such types of services at the level the City wanted to offer to its residents.

Commissioner Hutchinson stated they might not get a \$17 Million reduction, but possibly in some departments certain activities could be privatized in order to save some money. She did not feel they would realize a \$17 Million savings, but they were just looking to "pare down" what they were presently paying for services.

Mayor Naugle stated that the existing employees could bid and reorganize themselves and offer a better service while lowering the cost. He felt that competition was great.

Commissioner Hutchinson stated that she did not think it would limit the departments by going for an RFP, and at the same time the departments could bid on the RFP possibly causing them to streamline their operations and do a better job.

Commissioner Moore stated that it could be a great exercise and it could work, but in reality one of the issues at hand they did not have control over, and that was what this Commission would decide to grant in regard to their salaries and benefits. He added those things were negotiated through the labor unions. He stated if such factors were added, how could this be evaluated.

The Acting City Manager continued stating that next year's budget was going to require sacrifice. Mayor Naugle clarified that they had about 1/3 to go. The Acting City Manager clarified that they were about 80% there, but the last 20% was the most difficult.

Additional Service Requirements

The Acting City Manager stated that they had discussed the additional service requirements. He further stated that the whole concern about economic development as an additional service requirement would have to be considered in the next budget. He stated they had talked about establishing the individual who would deal with that, and they needed to understand that implication.

Commissioner Moore stated that this was where philosophy came in. He reiterated that if they were considering privatizing something, then that position should be considered for outsourcing. He reiterated that they were interested in the service, and not the body. He stated there was an historical commission that addressed this. He felt there were ways to address this without it becoming a creative staff. He hoped they were not going to consider placing someone on staff that salaries and benefits had to be paid to.

The Acting City Manager stated that the next item was in regard to transit and transportation. He stated there had been previous discussions regarding gridlock and having an entity to deal with that. He stated that most of the transit was already outsourced.

Commissioner Moore reiterated that he felt the TMA was worthless and he felt that the DDA agreed on that point. He felt that possibly they needed to restructure. He believed it was an opportunity for the DDA, Broward County, and this Commission to see how to formulate a partnership. He asked if the consultant Goodman had done some work with the CRA.

Kim Jackson, CRA Director, stated that Goodman was still under contract with them and was producing the Letter of No Prejudice.

Mr. Bentley stated that in that area one could not contract out everything because there had to be some linkage with the City. He reiterated that it took a City person to manage the contracts or it was a diversification that was a privatization of a function the City normally did. In this case, he stated that staff was acknowledging that they did not have the resource in-house to manage those contracts. He stated that the DDA was bringing money to the table for future growth in the area.

Commissioner Moore stated that the grants given should be utilized to have the service provider from staff be paid from. Mr. Bentley agreed they could capitalize on that.

Commissioner Hutchinson stated that Barry Goodman did a good job at that level, but as a project manager for the City it was above their expertise. She believed they needed

someone who could manage their transit, and as they moved towards mass transit they needed someone to pull together the DDA and the TMA. She reiterated that this was something they needed to look at this year and she wanted it to be part of this upcoming budget. She stated she was not in support for contracting this out. She believed the grants could help offset the costs.

Mr. Bentley stated that the Commission had identified in this year's parking meter rate increase that some of the monies needed to come back for transportation. He reiterated then the General Fund hit would be minimized. Mr. Bentley further stated that this related to some of the things they were seeing in the audit reports where the consistent theme was that they were managing some of the outside contracts very well. He stated that if something was contracted out, then they needed to refocus as to how they were doing business. He stated that this City had a history of contracting out and not putting anything in place to manage such contracts.

Mayor Naugle stated that it was obvious they needed someone to manage these contracts.

The Acting City Manager stated that if something was privatized and contracted out, it did not mean that they were not to monitor the situation and just "wash their hands" of it. They needed to make sure things were being managed correctly and there were deliverables of quality.

Commissioner Trantalis stated it was a question of where the money was coming from. Commissioner Teel remarked that the grants provided a certain percentage for administration. Commissioner Hutchinson stated that the transportation planner and contract manager were two different people.

The Acting City Manager stated that these were new things they did not have and would have to see how they could be financed. Commissioner Hutchinson asked if the new contract manager was to be included in the upcoming budget.

Ms. Hollar stated that Horace McHugh who had been administering the transit program was moved due to budget cuts to fire and police. What happened was that there was now no one in-house to take on that task. She reiterated that regarding traffic they had gone from 4 individuals to 1 ½. She stated that grants were wonderful and they brought in money, but they had to be monitored.

Mr. Bentley stated that two weeks ago Commissioner Hutchinson had suggested that an agenda item be brought forward dealing with the construction management process. He stated that would be scheduled for the Commission's next meeting.

Commissioner Hutchinson asked that recommendations also be provided as to how to move forward on this matter. Mr. Bentley remarked that could be a two-part discussion.

The Acting City Manager stated that the other area he had identified was a shortcoming within the Manager's Office, and that was that they did not have a management analysis capacity. He stated that the City Manager was not a visionary on his own. He needed people that could help him to create a strategic plan and follow up on it. He stated there were things they could be doing, not only on the economic side, but also on the strategic

planning side. Regardless of who the new Manager might be, they needed to have someone that could plan strategically.

Commissioner Moore stated this was a great recommendation, but they needed to wait on the new Manager for implementation.

Commissioner Hutchinson stated that she would like to see how this could fit into this year's budget. Mayor Naugle stated the budget could give the new Manager options. Commissioner Hutchinson reiterated that she liked the idea of strategic planning and asked if the City had ever had it before. She felt it was something that should be looked at and brought back. She stated it was her observation that no one had the time available for such planning.

The Acting City Manager stated that during the time he had been with the City, he had seen more reactive than proactive approaches taken. He stated they focused on agendas every two weeks instead of where they were going as a City.

Commissioner Trantalis stated that since he had come on board there had been a lot of discussions regarding the CRA, design guidelines, and outside consultants had been engaged to participate, and he believed that was part of strategic planning. The Acting City Manager confirmed, but stated that was for a specific area. He further stated that at one point they had discussed what their vision was in regard to growth on the Barrier Island, and they had articulated it well so individuals could come in with plans that would be acceptable. He stated they needed to articulate that vision, otherwise they would get ideas that were not feasible or sustainable.

Mayor Naugle stated that this should be included in the budget, and then approved by the new Manager.

COMPENSATION PACKAGE

Salary Percentile Policy/60%

The Acting City Manager stated that when talking about the budget, they were actually talking about personnel more than anything else since 75% of the budget was directed in that fashion. He stated that backup had been provided to the Commission regarding the City's past policy, and the differential as to how the policy had been applied. In the past, salary comparability studies had been done and they had attempted to target the 60%.

Mayor Naugle stated that the Commission had agreed to pay whatever was necessary to attract qualified people and keep them.

Commissioner Trantalis stated that they were achieving the attrition levels that had been projected in regard to the Police Department, but people were still leaving in great numbers. The Acting City Manager explained that people were not leaving in great numbers.

Bruce Roberts, Chief Police Department, explained it was a combination of things. He stated that there were plan drops, but they were also having individuals leave at this time looking for other jobs. He stated their goal for this year was to have 15 of the 19 vacancies filled.

Commissioner Hutchinson left the meeting at approximately 2:41 p.m.

Chief Roberts explained that some of the vacancies had been planned.

The Acting City Manager stated that when they were talking about savings of \$8 Million this year, they were talking about freezing the vacancies, and they were also talking about \$1.5 Million of normal attrition during the year. In addition to what had been projected, they still needed City-wide \$1.5 Million in salary savings. As the year progresses and people leave, termination pays would be required and the amounts would increase. He stated people leaving had been taken into account in the calculations made.

Commissioner Trantalis stated there was the perception that large numbers of individuals were leaving, and it was a bad situation. Mayor Naugle remarked that some individuals were becoming eligible to retire. Commissioner Trantalis added there was a fine line and he was aware of the retirement situation.

Commissioner Hutchinson returned to the meeting at approximately 2:43 p.m.

The Acting City Manager stated that if they wanted to achieve the savings that they were talking about, they had to look at the compensation package and see how liberal they could be over the next two years. He stated that the point he was attempting to get across was that there was still an amount of austerity that still had to come across. He stated that he did not see increases in salaries and benefits coming down the pike because they did not have the necessary funds for such increases. He stated that many people were concerned about public safety, and in looking at the figures the City was in the 60% range. He stated that in looking at public safety employees, they were in the 90% to 100% range. He remarked there was not much wiggle room regarding public safety in connection with salary or benefit increases.

Mayor Naugle stated that he hoped they would offer compensation packages that would attract quality people and keep them. He stated they needed to do surveys regarding vacancies, and see what types of responses would be received. The Acting City Manager remarked that 125 applications had been received in connection with the City Manager position.

Commissioner Trantalis left the meeting at approximately 2:45 p.m.

The Acting City Manager continued stating that when talking about the benefit structure for the future, they had to understand there had been changes in the structure that employees had to deal with, and on the management side health insurance was now being paid for. He stated that all employees were now paying towards the health insurance deficit and paying an actuarial rate. He stated that there had been changes regarding benefits. He remarked that in the last 2 weeks, they had been hit with a \$300,000 increase for pensions. He stated that increasing those benefits were going to be very difficult to do. He further stated that the last time they dealt with the budget, there had been concerns about longevity, overtime, and allowances. If such issues were to be addressed, they needed to be done as part of a paid package and new comparability study because in many cases they were synonymous with salaries, and those amounts were included in the base. He announced that negotiations were due to

start April 1, 2004 with the labor unions. Mr. Bentley remarked that negotiations regarding police captains would begin in March, 2004.

The Acting City Manager reiterated that if there were going to be questions raised in August, then he wanted to address them between now and then.

Mayor Naugle stated that in the future, he would prefer to adopt more paid for performance opposed to longevity. He added that he realized it was hard to break old habits.

Commissioner Hutchinson stated that she agreed and that the County did it. She added there was no way to hold managers on performance level with the current longevity. She asked when individuals constantly went over budget, how could they be held accountable in their position as part of the executive management team. She felt performance based pay initiatives were the way to proceed.

Commissioner Moore stated that he had no doubt that would be appropriate, but that would be a future vote by the Commission. He stated that he preferred performance based.

Commissioner Teel stated she agreed because it offered accountability to the taxpayers. Commissioner Trantalis stated he also agreed because the public wanted to see performance based pay versus longevity.

Mr. Bentley stated that in regard to pay performance or longevity, it was more complex of a situation than that because some people had great pay performance and a proponent of the compensation was longevity. He further stated that some had both.

The Acting City Manager stated they might want to get input from the employees on this matter. Mr. Bentley further stated that the key component was how it would be implemented which could be done retroactively with no longevity, but there would be huge effects. He stated that actions which the Commission had taken in 1989, 1993, and 1987 when they changed longevity from a percentage to a flat rate and formed a two-tiered system. He stated that was more palatable for employees and the organization to implement. The Acting City Manager stated that the down side of that was that the longevity still had to be paid out. Mr. Bentley further stated that 12 years later, they were now running through the final bubble of the percentage of longevity. He added that would drop off rapidly over the next 4-5 years. It was stated there were 580 people left in the first tier, and 168 in the DROP Program.

The Acting City Manager further stated that if they were going to do something prospectively, there had to be a set date for the conclusion of the program. He reiterated that the implications were huge. He stated he wanted the ability to come back and request a comparability study. The previous one had been done in 2000 for management confidential, and one had been done in 1997 regarding the FOPA. He further stated that fire and police did them at the time of negotiations.

Commissioner Moore asked if anyone else had any comments to make regarding longevity.

Chief Roberts stated that this was a bigger topic than what had been alluded to, and within the next 5-6 years everyone should be on a one-tier system.

Commissioner Hutchinson asked if the comparable longevity study was to be done for the entire organization. The Acting City Manager stated that it should be done for everyone and across the board and equal. He further stated they also had to look at what steps would be necessary to take and how to get from one step to the other, and they also needed to review if they should institute a merit pay plan in lieu of this.

Commissioner Hutchinson stated they needed to look at this across the board, and whether it was implemented in that way was a separate issue. The Acting City Manager stated that this would have to come back to the Commission in order to receive approval for the financing. He stated that it took a long period of time and there were costs involved. He advised there needed to be more interaction with the employees. He advised further that the comparability study would give them a standard to negotiate on.

The Commission was informed that they could do a compensation study or they could do it combined with a benefit study. It was difficult and costly to do a benefit study. The Acting City Manager stated they would have to look at the entire compensation package. He stated that they would return before the Commission with a recommendation.

It was further stated that longevity became a political issue and it was hard to defend to the public.

Mayor Naugle stated if there was a performance system, there would be a better outcome. He remarked that it was not done to save money, but only done to increase performance.

The Acting City Manager stated that he did not want to create a third tier.

OUTSOURCING & ENTERPRISE FUNDING

The Acting City Manager stated that he wanted to put on the table the items they had considered for outsourcing. He stated that Terry Sharp would explain the areas that were already privatized and what lessons had been learned.

Areas Currently Privatized

Terry Sharp, Finance Director, referred everyone to Exhibit 8 entitled "Outsourcing." He continued stating that they referred to this as outsourcing instead of privatization because they did not want to preclude an employee group from competing against the outside or having a partnership with a public entity. He stated that outsourcing could be a way of saying they wanted to look at different ways to deliver services. Exhibit 8 included a report done several years ago that listed the City's history regarding privatization, and what areas had been outsourced in the past.

Lessons Learned from City Experience

Mr. Sharp stated that he had made some points as to what he felt they had learned from past experience. He stated that in order to make a decision as whether or not to outsource, they had to have a proper basis for comparing in-house costs versus

outsourcing costs so a valid comparison could be made. He added they also needed to define the services that were to be provided in detail. He further stated that contract management was necessary, and the more specific the City was in their specifications that went out in the proposals, the easier to hold a contractor responsible. He stated that consideration had to be made regarding facilities and equipment. He also stated that staffing factors were important and correct certifications were needed by those individuals bidding. He continued stating that there were intangibles, and investments had to be considered. He further stated they needed to explore the ability to re-engineer the in-house approach and look at public partners.

Criteria for Selecting Activities or Services

Mr. Sharp stated that the basic criteria for selecting activities or services for possible privatization were as follows:

1. Potential for cost savings (net costs).
2. Market Availability.
3. Methods of outsourcing.
4. Contracts with outside providers (City responsible for contract management).

Commissioner Trantalis stated that several opportunities had been listed for outsourcing, but who could manage those contracts. Mr. Sharp replied that part of it had to do with the magnitude of privatization, and a person familiar with the type of service being delivered should be the individual to manage such a contract. He stated that there could not be one unit managing all the City contracts.

Mr. Bentley stated that it went back to how it would be managed. He gave meter reading as an example and stated that it had been managed in-house with existing staff. He added that could be statistically managed because they came back with the product and the information could then be analyzed. He explained there were standards in the contract that could be looked at over time.

The Acting City Manager asked why not privatize parking to a private entity and have a contract manager or team monitor the situation. Mr. Bentley stated that both the size and the complexity of what was being contracted out made the difference. Mr. Sharp stated they needed to provide a guideline comparing in-house pricing with privatization, and what percentage, if any, would be saved, and then those savings could be set aside for contract management. Mr. Sharp agreed.

Commissioner Moore asked if there was the privatization of contracts, what percentage of savings were they looking at as their goal. He asked further what type of comparison could be made as to what figure would be competitive.

Mayor Naugle stated that there should be a significant savings and all costs would have to be included. Commissioner Moore further stated that the competitor would not be required to pay out benefits.

Commissioner Trantalis added that the minimum requirements should be included in the RFP. Commissioner Moore stated that they could not exclude fixed expenses. Mayor Naugle stated that all of this could be discussed at that time.

The Acting City Manager continued stating that reductions in staff might still take place next year. One way to do that would be to continue maintaining the same level of service, but have a different way of addressing the issues.

Mayor Naugle stated that they could then be presented with the pros and cons of the issue. Commissioner Moore stated that the question was when. Mayor Naugle stated they had all agreed that they were going to bid out for trash collection and that was already in the works. He felt they should look at some other things also.

Commissioner Moore stated that the items that were to be considered for privatization were on a list and if they came up with some things at contract end that would be before August, he suggested they look at those. Mayor Naugle stated that other items that arose for consideration could be considered between now and October. He suggested that another department that could be considered for privatization might be parking. The Acting City Manager stated that another that could be considered was administrative services.

Commissioner Moore reiterated that they were talking about giving away the item that made money. He stated he did not understand that concept. He further stated that if parking was privatized, they would have to write the City a check for over \$3 Million that had been made this year and keep the fee structure the same.

Mr. Bentley explained that the issue was more complex than that, and criteria had been developed that could be used internally to measure all the privatization suggestions. He stated that the first thing everyone thought was that money could be saved. He added that sometimes one privatized to obtain a higher level of service or due to the complexity of a situation. He stated that the money made in parking through citations had been outsourced to the Police Department because they could monitor the situation better.

Commissioner Moore asked excluding citations what was the operational profit line on parking meters. He was informed that there was a profit of about \$1.5 Million last year.

Mr. Bentley stated that he had been told that the number which had been used in the '80's and early '90's was 15% for an improvement goal.

Commissioner Moore was informed that the \$1.5 Million did not include the \$1 Million that was given to the General Fund. He asked if the City had ever considered doing the meter reading in-house since it had been privatized. Mr. Bentley stated they had revisited the matter at the Union's request, and it was discovered that due to the pay schedules the Union stated they could not compete.

Commissioner Trantalis asked if they were encouraging a depressed work force in the community. Mayor Naugle stated that as a work force they were better off than the citizens being served. He added they needed to control costs. Commissioner Moore asked what work force the Mayor was referring to. He added that he did not want to deal with generalities unless figures could be supplied. Mayor Naugle stated that the average income for a City employees was around \$71,000. Commissioner Moore stated that he did not find that to be a factual statement. Mr. Sharp stated that was the total compensation number, including benefits. Commissioner Moore stated that many times he had heard statements made by City employees that they could not afford to purchase

a house in Fort Lauderdale, but then he was being told those same employees were making more money than the residents.

Commissioner Teel stated that when the houses were being built out west, the land values had been so depressed in comparison to land near the Intracoastal and cheaper and newer homes could be purchased. She stated that the statement that they could not afford to purchase a home in the City meant they were receiving a better product for their money elsewhere.

Mayor Naugle stated they could not fear competition because it made things better. Commissioner Moore stated he did not fear competition. Mayor Naugle stated that he had some other suggestions regarding possible privatization, such as utility collections that he felt could provide better service.

Commissioner Moore stated that he did not understand why they could not look at the work force they presently had collecting, and inform the utility company they would be a collection site for a percentage of the dollar in order to generate some revenue.

Mayor Naugle stated that he felt there were certain jobs in the City that could measure output and they needed a system where certain employees could work from home. He stated that was being done successfully in the private sector.

Commissioner Moore left the meeting at approximately 3:35 p.m.

Mayor Naugle continued stating that monies were saved with employees working from home through parking and utilities. Mayor Naugle further stated that he felt other areas that could be privatized could be lifeguards, beach maintenance and park rangers.

The Acting City Manager stated that he had also thought of privatization in regard to the Marine Patrol. He felt it could be more of a preventative security function that did not necessarily require a police officer.

Commissioner Teel stated that a number of people have been questioning how effective the Marine units were in regard to issuing tickets. It appeared there were a lot of repetitive warnings being issued. Mayor Naugle added that a sworn officer was still needed to issue the citation.

Chief Roberts stated that all warnings were documented and if more enforcement was desired, then they would start issuing more tickets.

Commissioner Moore returned to the meeting at approximately 3:40 p.m.

Chief Roberts stated that there was a misunderstanding and the Marine Patrol was not just controlling boat traffic, but were also working with Customs and the Coast Guard in regard to Homeland Security. Rivers were being patrolled in regard to burglaries. Commissioner Teel felt the question was whether there was a way to work more efficiently. Chief Roberts stated they were presently working on the issue.

The Acting City Manager stated that they could possibly privatize the Mounted Patrol.

Mr. Bentley stated that they were going through a process to identify the internal evaluation criteria, and a list would be brought to the Commission of the items they felt could have a more significant savings or improvement in services.

Mayor Naugle commented that possibly they should look further at the Pollution Solution. Mr. Bentley stated that could possibly provide better service to the community. Mayor Naugle added that the service needed to be partially funded.

Cecelia Hollar, Acting Director Public Services, stated that in outsourcing they needed to see how they could generate more income. In regard to NCIP projects, she stated that the neighborhoods were required to provide the maintenance. She also stated that the lab at Public Services could be another potential for outsourcing.

Commissioner Moore added that another potential department for outsourcing could be the occupational license division.

Areas for Enterprise Fund Consideration

Terry Sharp, Finance Director, stated that suggestions had been made by the Commission for their consideration. He further stated that one method of outsourcing he had not mentioned was relinquishing responsibility completely and have the private sector provide such service.

Mr. Sharp stated that from a financial perspective, Enterprise Funds were created when they wanted to account for an operation that was financed primarily through user charges, and the income had to be calculated on a regular basis. He stated it was not a panacea, and the City's Enterprise Funds were fairly substantial. He added there were costs to maintain such funds.

Commissioner Hutchinson asked if the Enterprise Fund would pay for the extra costs involved. Mr. Sharp explained they would as long as the user fee was picking up the cost, but there was nothing to preclude the Commission from setting a user fee even for an operation in the General Fund. He stated they were going to look at all the user fees to make sure they knew what the subsidies were, if any, to see if costs were being recovered.

Commissioner Hutchinson asked why the docks and marinas were not Enterprise Funds so when monies were generated, they would go back into the maintenance, rehabilitation and building of more docks and marinas. Mr. Bentley replied that was a leading example of one that would be considered for privatization. Commissioner Hutchinson added that now it made a good profit, but where were the funds going.

Commissioner Hutchinson further stated that the pools generated user fees, and therefore, why not have them operate under an Enterprise Fund, and then the monies could be used towards their maintenance. The Acting City Manager stated if enough money was not generated, then they would know exactly what subsidy was needed to operate that facility.

Commissioner Moore stated that they needed to be careful of enterprising everything because they needed something that would give them an opportunity for increasing revenue.

Steven Chapman stated that they needed to keep in mind that when the auditors came in the revenues collected had to be self-supporting. If the government had to subsidize it every year, the outside auditors would put it back in the government saying it was a government function with user fees subsidizing it.

Mayor Naugle stated that in regard to Enterprise Funds, they did not have a core charge assigned.

Mr. Sharp stated that they had an indirect administration charge for the Enterprise Funds, but those functions such as docks and waterways were in the General Fund.

The Acting City Manager stated they may have something that looked like a revenue generator, but when checking all the liabilities involved, capital costs and depreciation, they might discover there were less funds available than first thought.

PROPOSED BUDGET PROCESS

Budget Presentation Format

Steven Chapman stated that he had heard everyone's concerns regarding the process and comments made about needs, and he stated he was not going to say what was going to be done today. He stated he wanted to come back within the next few weeks with a new calendar and process based on policies and expectations everyone had in regard to the budget. He explained the budget document was more than something just required by law, and was the strategic planning for the next year. He advised that it was also a control document to make sure they did not go out of bounds from the goals and objectives that were set.

Mr. Chapman further stated that the information would be provided in a few ways. He explained they would do some line item budgeting, along with doing about 1/3 of program budgeting. He also stated they would come up with some type of plan showing the costs of services for certain areas. He advised that he also wanted to do a 3-year calendar including all departments on a rotation basis. He further stated they were also going to do some zero-based budgeting showing a base level of government with enhancements such as capital or new employees. He stated the justification would have to be made for any new requests.

Mr. Chapman also stated that there were different roles that each group would have to play. He advised the role of the Commission was to clearly communicate their needs, goals and policies primarily to the City Manager. Then, he could present it to the budget staff and feasibility studies could be done, and things built into the budgets that were needed. He reminded the Commission that they were in contact with the public. He stated they were to build a budget that would meet the needs of the constituents.

Mr. Chapman advised the Budget Advisory Board would be included along the way, and the City Manager would be the liaison. Therefore, one clear message would be sent and the budget staff would work diligently to ensure that all needs were being met. He stated that comments had been made that the Commission had not received all pertinent information in the past. He stated that he planned on documenting all assumptions and forecasts that would be made while finalizing the budget. Reports would be provided in

late May or early June to the Commission. He explained that nothing would be hidden and numbers would be provided. He added there would be outreach to the public and they would need the Commission's help in that regard. He stated the budget staff would always be available for meetings or questions.

The Acting City Manager stated that last year he had been on the receiving side, but he was concerned about what he would refer to as an "information dump." He stated departments would provide information, but not necessarily analyze it. He stated further that when information was requested, all requests needed to be clearly made.

Mr. Bentley stated that he encouraged everyone to talk to the staff and clearly explain what information they wanted. Mayor Naugle reiterated that all requests should be made through the City Manager. He added that in the past all figures had not been inclusive.

There being no further business to come before the Commission, the meeting was adjourned at 4:05 p.m.