

**MINUTES OF A CITY COMMISSION BUDGET WORKSHOP  
CITY HALL – 8<sup>TH</sup> FLOOR CONFERENCE ROOM  
100 N. ANDREWS AVENUE  
FORT LAUDERDALE, FL**

**JUNE 8, 2004 – 1:00 PM**

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Mayor Naugle called to order the budget workshop of June 8, 2004, at approximately 1:10 p.m. Roll is called and a quorum is present.

Present: Mayor Naugle  
Commissioner Teel  
Vice Mayor Trantalis  
Commissioner Hutchinson

Absent: Commissioner Moore

Also Present: Acting City Manager  
Incoming City Manager  
City Attorney  
City Clerk

The Acting City Manager stated that when the Commission originally discussed the budget in February, along with the challenges presented for this year, he had indicated it would be a good idea to meet in early June to review the assumptions that underlie the budget, along with some realities he has been grappling with in preparing the budget.

The Acting City Manager continued, stating that he wanted to go over some of the principles of the budget, along with some of his concerns, and the funding requirements the Commission would have to face.

**Guiding Principles of Municipal Finance**

The Acting City Manager stated that the first thing is the concept that the City should not be spending more than they collect, and they should be saving and creating emergency reserves. One-time revenues should never be used to finance on-going expenses, but rather to build reserves or for one-time expenses. He added that any year-end surplus should be directed to reserves and not “rolled over” to create an unsustainable base for the future. The Commission should allocate enough money for capital outlay and finance it from current revenues or from short-term borrowing. He explained that the capital improvements they make could be financed through debt instruments or on a “pay-as-you-go” basis. In most cases individuals in municipal finance feel the sounder way is through debt financing because people who would benefit over the lifespan of an improvement should be paying for it, rather than individuals who are currently enjoying the improvement.

The Acting City Manager stated that debt services (principal plus interest) should become part of current expenditures, and that off-budget items, such as internal service

funds, central services and special insurance, should be fully financed by charges or transfers from departments and other funds. The City should always have a zero balance or a positive balance, and not the current \$21 million deficit. In looking at the expenditures of the City, they needed to think in terms of a hierarchy of values or expenditures. They have to provide core city services and maintain them at an adequate level which includes non-discretionary expenditures, such as pensions, debt service, insurance, and pay-down of deficits. Before the City does anything else, they have to take care of past debts.

The Acting City Manager further stated that governance is another city service, such as management, finance, and administration. Another cost service is public safety, along with public infrastructure and utilities related to health and welfare. He continued, stating that other core services are code enforcement, planning and permitting, along with expenses to ensure financial stability and reconstituting of the working capital, stabilization fund and emergency reserves.

The Acting City Manager went on to state that discretionary City services, such as expansion of core services beyond what is mandated or minimum levels have to be provided. Other such services are economic and community development, especially for federal grants, public works and construction services, public infrastructure, such as the replacement of the CIP/capital outlay, preventative maintenance and most new construction. Parking, airport and housing are other discretionary services that need to be provided.

The Acting City Manager stated other services are the quality of life services which people speak a lot about. These are the expansion or higher levels of core services, parking and recreation, special events and programming, neighborhood services and projects, grants to social programs, and non-core activities. The hierarchy of values needs to have a secondary priority.

### **Fort Lauderdale's Serious Financial Challenges and Imbalances**

The Acting City Manager stated that this City is facing some very serious financial challenges and imbalances; there needs to be additional sacrifices made. He felt that for the next 2-3 years there would have to be extraordinary fiscal discipline in order to restore financial stability. The City has been living beyond its resources, but not necessarily beyond its means. Taxes, user fees, permit/license fees, and fire assessments could have been increased, but the choice was made not to do so. He stated that expenditures, especially for salaries and benefits, has spiraled out of control due to collective bargaining, lax FTE controls, and the shifting of costs of pensions and health benefits to the City. The true cost of non-health insurance liabilities and overhead are hidden effectively off-budget.

The Acting City Manager explained that as a result, the following has happened:

1. General Fund balance is drawn down from \$7.3 million for FY 1999 to \$875,000 for the end of FY 2003.
2. Between FY 1999 and FY 2003, the consolidated insurance fund has amassed a \$20.6 million deficit, which would again increase this year by another \$1.5 million if action were not taken immediately.

3. Capital outlay is reduced by \$1.1 million for FY 2004.
4. CIP and ACIP transfers from the General Fund have been reduced in FY 2004 by \$3.7 million.

The Acting City Manager explained that this resulted in \$32 million that should have come from increased taxes or revenues, but has been kept artificially low, or salary-related expenses have been kept artificially high. The situation is imbalance in the short-term and unsustainable over the long-term. Corrective action was required and continues to be required to ensure a balanced FY 2004 budget, and thereafter. The budget to be presented would fully finance the cost of operations. He stated they would continue with a 3-year process which began in November, 2003, in order to pay off deficits, debts, and to rebuild reserves. This would apprise the public of the appropriate level of revenue flows, both in fair user charges and tax increases.

Vice Mayor Trantalis asked if it is being suggested that they attempt to make up the "sins of the past" in the next 1-2 years. The Acting City Manager stated that he is talking in terms of addressing the problems over two fiscal years.

Mayor Naugle stated that the time had begun in November, 2003, plus the 2 years, thereby making it three years to address the issues.

The Acting City Manager stated that by having the \$32 million swing, it means they have built up the base unsustainably by \$32 million.

#### **Defining Terms for Financial Stability Restoration Program.**

The Acting City Manager stated that in the past the Commission discussed what is meant by various types of funds, but he felt they needed to define them. Contingency is money for unforeseen expenses related to core services, or for a known category of expenses, such as collective bargaining notional amounts which could not be allocated individually to departments. The Contingency Fund is not a discretionary fund or a slush fund, but for unforeseeable contingencies. He believed there should be a target funding level of 1% of the General Fund for contingencies.

The Acting City Manager defined working capital as an amount necessary to ensure adequate cash flow, and it should never be appropriated for other department expenses. The target funding level should be 5% of the General Fund. This would have to be done over a 3-year period of time.

The Acting City Manager stated that a Stabilization Fund is needed to assist in smoothing out drastic fluctuations in recurring expenses, especially non-discretionary expenses, such as pensions or insurance. The target funding level should be 2% of the General Fund.

The Acting City Manager further stated that an Emergency Reserve Fund should be established for emergencies and non-recurring expenses, such as hurricanes. The target funding level should be 5% of the General Fund. The balance now is \$875,000 on a \$217 million budget.

Vice Mayor Trantalis asked how this fund differs from Contingencies. The Acting City Manager explained that unforeseeable expenses are on current operating expenses, whereas the emergencies would be for a one-shot extraordinary situation. Vice Mayor Trantalis asked if the Contingencies would be just for cost overruns for existing programs. The Acting City Manager stated that the Contingencies spent this year were for real contingencies, such as recruiting.

The Acting City Manager stated that in regard to the Commissioners' Discretionary Fund, he felt it should be reserved for worthy projects or activities during the year that are not otherwise budgeted. He stated that the target funding level once all other reserve-type funds are fully financed should be 0.5% of the General Fund. He does not have a problem with such a fund but they should call it what it is, a discretionary fund and not a contingency.

### **Details of the Financial Stability Restoration Program (A Phased Approach)**

The Acting City Manager stated that in regard to Contingencies, he proposed \$1 million in FY 2005, and 1% of the General Fund expenditures, thereafter. In regard to Working Capital, he proposed \$3 million in FY 2005, \$6 million in FY 2006, \$10 million in FY 2007, and 5% of General Fund expenditures, thereafter. For the Stabilization Fund, he proposed an additional \$1 million in FY 2005, an additional \$2 million in FY 2006, plus ½ of decreases in pensions (if any), an additional \$2 million in FY 2007, plus ½ of decreases in pensions (if any). They need to build the Stabilization Fund to 2% or more of the General Fund, and then it would be reduced by 1/3 of that amount each year, down to a 2% level in order to finance increased costs of non-discretionary expenses. The idea of a stabilization fund is so taxes do not fluctuate for non-discretionary expenses.

In regard to the Emergency Reserve Fund, the Acting City Manager proposed \$2 Million in FY 2005, plus ending-year surplus balance, an additional \$4 million in FY 2006, plus ending-year balance, and an additional \$4 million in FY 2007, plus ending-year balance. Once the fund is at 5% of the General Fund, then only ½ of the ending-year balance would be appropriated to the Emergency Reserve Fund.

The Acting City Manager stated that he does not propose an appropriation to the Commissioners' Discretionary Fund until FY 2008, once the City's "financial house" is in order.

### **Clarification of the "Consolidated Insurance Fund"; City Insurance (543) Fund and Employees' Health Self-Insurance (545) Fund**

The Acting City Manager stated that everyone talked in terms of the City having a \$20.6 Million deficit in the insurance fund, but the fact of the matter is that there are 2 insurance funds, and together they added up to a \$20.6 Million deficit.

The Acting City Manager stated further that the first fund is the City's Insurance Fund which provides for workers' compensation, public liability, auto liability, police liability, employment practices/labor relations liability, light-duty positions, pass-through of IAFF and FOP health insurance City contributions, and administrative/operating costs. He explained the fund had a deficit of \$13.9 million at the end of FY2003, and unless action is taken this fiscal year, that deficit would grow by at least another \$3 million. When staff

began to assess the departments this year, they had a situation where they are currently paying \$1.9 million more, than what the City is taking in. It will continue unless something is done, and he intended to do something about it in the forthcoming budget revision.

Mayor Naugle stated that the City needs to assess the Enterprise Funds the full cost to the Insurance Fund. The Acting City Manager indicated that the Enterprise Funds would be assessed their full costs, along with the City departments.

The Acting City Manager stated the other fund is the Employees Health Self-Insurance Fund that provides health insurance benefits for FOPA and management and non-FOPA employees, which had a deficit of \$6.7 million at the end of FY 2003. This fund has dramatically turned around. Staff is projecting it would have a \$3.7 million operating surplus this year with year-end deficit of \$3 million. As of January 1, 2004, the deficit stood at \$5.6 million. The City turned this fund around, but they have not yet turned around the City Insurance Fund. He explained the problem in the area of insurance is not with the Self-Insurance Fund, but with Workers' Compensation, Light Duty, Employment Practices, Lease Liability, Auto Liability, and General Liability. He explained further that is where the imbalance now is located.

#### **City Insurance Fund Deficit Reduction Plan**

The Acting City Manager stated that the City needs to stop the hemorrhaging of the City Insurance Fund's operating accounts so the administrative overhead, insurance claims, light duty, health insurance for the IAFF and FOP and programs would be fully funded through charges to the departments and funds. Interest income should be used to build reserves. In this fiscal year, they will fully charge all non-general funds, such as the enterprise funds and others, for their portion of the entire deficit, including past overhead administrative costs, light duty, and actuarial reserves for each line of insurance.

The Acting City Manager explained that when they set the premiums, they had not included a surcharge for administrative costs, and had not included light duty as part of workers' compensation. The City started the year off with a deficit of at least \$2 million. In FY 2005 the City would fully liquidate the deficit for the Health Insurance Fund from the enterprise funds, but could not do so for the General Fund because the hit would be too large. He suggested that the Commission look at this over a 2-year period so as to reduce half the deficit in Fiscal Year 2005 and half in 2006. They could accomplish this by assuring that each department in the future would be fully billed for the actuarial costs of their individual insurance, along with reserves, claim pay-outs, and each department would be charged on a fully applicable basis according to the risk factors. He explained that Workers' Compensation is being assessed to all departments without looking at the experience factor. He stated those departments have their budgets artificially kept at a lower level, and the City does not know the true costs to provide the benefit package.

Mayor Naugle stated that this would affect the exercise in seeing whether privatization is a good thing. If the Workers' Compensation figure were under-recorded in a department, the savings would not show up by contracting it out, if true costs were not assigned.

The Acting City Manager stated further that in many cases if the departments understood the true cost of Workers' Compensation, they would undertake either training

programs or other programs to reduce their liability, and remain more competitive. The departments are not given that opportunity because the City never allocates the costs on a reasonable and rational basis, depending on risk factors. Each department should have their insurance bill include the costs for administration and overhead on an FTE per capita basis. The costs of light-duty positions would be charged back to the departments. He also stated that for FY 2005 and FY 2006, recoveries, reimbursements, and miscellaneous income will be used to increase reserves and the Fund Balance until they are fully funded, and not to lower premiums charged to departments.

### **Employees' Health Self-Insurance (545) Fund Status**

The Acting City Manager stated that the employees' health self-insurance fund is operationally sound for the first time. It is running at an operating surplus this fiscal year, and is turned around because they have maintained a prudent financial policy of insuring that the premiums charged and contributions made are actuarially sound, and when necessary program benefit changes were made during the year. The City has funded \$2 million of its deficit, and the remaining \$900,000 would be paid next year. The employees would continue to pay down their deficit over the next few years, and if the FOPA would leave, they would have to pay a certain amount towards the deficit which would be amortized over a period of time.

### **Expenditure Assumptions**

The Acting City Manager stated that Contingencies would remain at about \$1 million, and working capital would be budgeted at \$3 million which is an increase of \$1 million over this year's adopted budget. The Stabilization Fund would be appropriated at \$1 million. He reminded the Commission that they put the additional proceeds received from the Amnesty Program into that fund. The Emergency Reserve Fund would be appropriated at \$2 million.

The Acting City Manager continued, stating that in regard to the City Insurance Fund Solvency Plan, in order to pay the current operations of FY 2005 (non-discretionary expenditures), they would have to include in the budget an additional \$1.8 million for the administration of the City Insurance Plan, and \$500,000 for Workers' Compensation and light-duty positions. He stated that \$200,000 additional would be added for police and general liability, \$300,000 IAFF and FOP health insurance programs due to an increase in the number of participants, \$100,000 additional for employment practices and labor relations, and \$100,000 additional for vehicle liability claims. This will all be done in order to break even next year, and not to address the deficit.

The Acting City Manager stated that in order to address the deficit on the General Fund side, they would include \$900,000 to pay down the residual deficit of the Employees' Health Insurance Plan, and they would have to include \$4.3 million to pay down half of the deficit on the insurance plan, of which \$1.8 million would go towards Workers' Compensation. The Enterprise Funds would be paid this year because there are sufficient monies in those funds. He further stated that \$1 million would be for police liability, \$900,000 for general liability, \$400,000 for employee practices and labor relations, and \$200,000 for automobile liability.

The Acting City Manager continued, stating that in addition, the City must replace the one-shot deals of last year. This budget would not have any "smoke and mirrors"

regarding furloughs. The City needs to put \$2 million in the capital improvement program, \$2 million into the accelerated CIP, and \$2 million for capital outlay. There is \$1.5 million in normal turnover that they would have to make up this year. He stated that the \$500,000 for travel, conferences, schools, meetings, and memberships should be put back, but he is reviewing whether the full amount should be returned. The City needs to include \$400,000 for computer replacements, and \$400,000 for facilities maintenance. In addition, non-discretionary expenditures have increased. He explained the City must include \$2 million in the General Employees' Pension (2/3 of which is in the General Fund), to pay for general employees' pensions. There is \$4.4 million that must be paid for police and fire pensions, and approximately \$3.4 million in termination pay, of which 2/3 would be in the General Fund. This is based on projections for next year relating to the DROP program. It involves 103 individuals who all have termination pay.

The Acting City Manager continued stating that there would be no COLAS in the budget, no health pension benefit increases, and overtime will be kept at the same level.

### **Revenue Assumptions**

The Acting City Manager stated he would not go into the assumptions on the tax side because it is difficult since the City does not have the valuation, but the City would get \$10 million in the Fire Assessment Fee, including \$2 million for assessing non-profits and other governmental entities. He stated that \$10 million is included in the revenue flow. He added the City would consider fee increases across the board which would be adjusted for inflation, along with an increase in the false alarm fees, and adding \$300,000 in increased payments in lieu of taxes from the Enterprise Funds and the Housing Authority. This is based on the internal audit prepared by the City's Internal Auditor. This would be the first time in 11-12 years that the agreement with the Housing Authority would be amended. There is a formula used which has gone from \$50,000 to \$80,000 and depends on their expenditures and how much they receive in revenue from their clients. It is difficult to project. There is a significant amount of housing stock which paid no taxes for fire or police protection, and the payment in lieu of taxes is to provide some measure of support for that.

The Acting City Manager continued, stating that there is approximately \$1.25 to \$1.5 million of increased tax revenue due to new growth, which is based only on projections from the County Appraiser. There is \$2.5 to \$3 million of increased tax revenue which might be available, assuming a 3% increase in valuation, and assuming the same millage rate.

Vice Mayor Trantalis asked what was the increase in valuation last year. Steven Chapman, Assistant Finance Director, stated that the property tax value last year was \$18.3 billion, and the preliminary number as of June 1, 2004 is \$18.8 billion. This comes to about 3%. Last year it was \$1 billion between the preliminary and the final revised, and had gone from \$17.3 billion to \$18.3 billion.

The Acting City Manager indicated that it is very difficult to really talk in terms of taxes today because they would not know until they receive the actual figure on July 1, 2004.

Bud Bentley, Assistant City Manager, stated that staff had done a report last year regarding the increase in valuation, and he would have it distributed to the Commission.

He stated his recollection is that it had been about 8%. Mayor Naugle believed it included new construction.

The Acting City Manager further stated that in regard to revenue decreases, it would be unrealistic to assume that \$2 million would come in from alarm registration fees. He is going to propose that such fees be eliminated with the new fiscal year.

Mayor Naugle asked what would happen regarding the individuals who had already paid the fee. The Acting City Manager stated that this is for this fiscal year, and if the City does not collect those fees, they would be in tough shape. He proposed that they eliminate the alarm registration fee and increase the false alarm fee. It does not make sense that the Police Department is including \$2 million in their budget that could never be collected.

The Acting City Manager explained there had been a one-time transfer from the Parking Fund of \$425,000, which would not happen this year. Another one-time transfer from the Vehicle Rental Fund of \$138,000 would also not occur this year. Hopefully the upcoming budget would have some increases in FTE's for some departments, but overall, he hoped there would be very little and no increase in authorized levels from this year to next. Everyone needs to understand that would mean a continuation of the same service level. He explained that when he speaks in terms of no or little increases, he believed some problems could arise from an annexation point of view because certain services would have to be provided which would be over and above the normal FTE levels.

Vice Mayor Trantalis asked if the annexations are to occur within the next fiscal year. Mayor Naugle noted the City has to gear up for it beforehand. The Acting City Manager explained that in one case there is a vote in August, and another in November. Monies have to be included in the budget as a contingency. As of September 15, 2004, the City has to have fire and police units ready to serve the new areas.

Mayor Naugle stated that if it would cause a deficit, then the City could opt off the ballot. He stated the challenge is that if it is a break even, then it could be on the ballot. Otherwise, it would not be placed on the ballot.

The Acting City Manager explained that in some cases, the City is already on the ballot regardless, such as Rock Island. The one which is the big question mark is North Andrews because it would have the biggest impact.

Vice Mayor Trantalis asked if the issue mentioned by the Mayor of calculating revenue and expenses to be neutral would have caused this to be anticipated. The Acting City Manager stated that in the past the City has always been in a position to know 1-2 fiscal years in advance that something was going to take place. The first year the City provides services is also the first year they would take in revenue. In this case, the first year they would have to provide services, they would have to "gear up" for the resources. Next year, there would be enough to cover it. In the meantime, they would have to see how to "gear up" for the annexation. Vice Mayor Trantalis asked if the anticipated expenditure factored into the calculation. The Acting City Manager replied apparently no, and what had been factored in was based on the current year.

Vice Mayor Trantalis asked how much has to be spent just to incorporate a neighborhood. Commissioner Hutchinson asked how many had been hired for Riverland and Melrose.

Bruce Roberts, Chief of Police, stated that they had hired 13 officers, along with 3 PSAs.

### **Annexation Impacts/Assumptions**

The Acting City Manager stated that a critical date is August 31, 2004, when North Andrews Gardens is going to vote on annexation, which is before finalization of the budget, but after the tentative millage rate is adopted. In November, Twin Lakes and Rock Island would hold their elections, which would be after adoption of the budget, and after the tax rate is set. The effective date of all annexations is September 15, 2005. Therefore, the City would be incurring expenses in 2005 mostly for "gearing up." He stated that such expenses include up to \$2.2 million for police, \$1.5 million for fire, and other departments such as Public Services, Community Economic and Development, and Parks and Recreation with minimum mobilization costs.

The Acting City Manager explained that the City needs to budget 50% of the potential annexation costs in setting the maximum level of the tax rate, and then adjust downward, if necessary, if North Andrews Gardens opts out. The other two possible annexations are fairly small and manageable. They will allow the Fire and Police Departments to hire in 2005 half of what they felt would be needed for such annexations.

Mayor Naugle asked if the 10 individuals mentioned by the Police Chief is really 20, and the expense for half a year, or is it 10 for a full year. Chief Roberts replied it is for a full year. There might be some possible adjustments. For North Andrews Garden and Twin Lakes areas, they are proposing a total of 9. For the other neighborhood, they are proposing a total of 7. The Acting City Manager explained that an initial request had been made for 21 officers, but he had suggested they take half now and half later. This does not mean it is going to be included in the budget, but it made the first cut. In other words, it had gone through the first threshold, but would have to go through another one when staff knows the revenues.

The Acting City Manager stated that in essence the City needs to include something for annexation at about half the level so they could "gear up," and if more resources have to be allocated, then it could be done on an as-needed basis for the last 15 days of the fiscal year. He is trying to be as prudent as possible.

Vice Mayor Trantalis asked for further clarification as to when the annexations would actually take place. Mayor Naugle replied it is one year. Before Melrose and Riverland annexations, police officers rode with the Sheriff's deputies to familiarize themselves with the areas. Chief Roberts added they also have 5 PSAs for the North Andrews Gardens area.

### **Above-Base Requests and Consideration of Marginal Utility of the Base**

The Acting City Manager stated the base request is the estimate of costs of continuing operations at the same service level for the next fiscal year. He stated that some line items have been increased due to inflationary factors. He further stated that the base

request includes all of the adjustments discussed and included in the budget amendment as directed on December 16, 2003.

Vice Mayor Trantalis asked if the base budget contains all service levels the City had as of December 16, 2003. The Acting City Manager stated that all the service levels presented in that paper for next fiscal year are included as of the 16<sup>th</sup> of December. The Commission has two options. They could preposition themselves for the next fiscal year which would mean further cuts. Vice Mayor Trantalis stated that in the back-up it shows 24 PSA's allocated. He asked if that means a reduction in the current level of PSAs being provided.

Chief Roberts stated there are 49 allocated positions for the PSAs, and there are 7 vacancies.

The Acting City Manager explained that the base budget anticipates that 24 of those PSAs would not be financed, and the above-base request would add the 24 back in. This made the initial cut and it probably would be included in the budget. The back-up provided represents what the departments had presented to him and what they absolutely needed for next year above the base. Items which made the initial cut had been included as part of the initial review. Items which had not made the initial cut would not be included, unless he is convinced otherwise to include those items. However, he stated just because something had been approved in the initial review does not mean it would be included in the budget. It means that it had gone through the first threshold review, and depending on what the revenues are and his discussions with the Commission, those items may or may not be included in the budget. Everyone needs to understand that these are above-base requests. Departments will have to justify their lowest priority programs.

### **Zero-Based Budgeting Experience**

The Acting City Manager stated that he had identified two departments for zero-based budgeting: Parks and Recreation, and the Finance departments. He explained that Parks and Recreation had found it difficult to rank programs and activities, but they were able to discern areas of lower priority for further analysis. Those include community and special events and median maintenance, along with an underlying theme of greater reliance on user fees and sponsorships. The following outsourcing opportunities are highlighted for future exploration, such as tree removal, parks maintenance, and management of large recreational facilities. The subject of Enterprise Funding is raised in regard to the Hall of Fame Swimming Pool, War Memorial Auditorium, and Fort Lauderdale Stadium, but further analysis would be needed during the budget process.

The Acting City Manager further stated that regarding Finance, they had noted there are budgetary analytical control measures, as well as personnel, which need to be enhanced. Additional funding would be needed for greater use of external, more-objective financial and organizational analyses of departments.

The Acting City Manager continued, stating that overall Zero-Based Budgeting is a work-in-progress and only initial reviews had been held. He explained that follow-up reviews are to be held in the next ten days for final recommendations. This type of budgeting provides an opportunity to question and fully explore base programs and encourage prioritization. He explained their initial experience has shown that they need to review

the process in-depth and make appropriate modifications as necessary. He stated the entire process from format, to training, to outside technical assistance and consulting, has to be examined and internalized by the departments. This type of budgeting is difficult because people are not used to looking at the entire question of prioritization, but rather at the budget in terms of incremental funding.

The Acting City Manager further stated that this is the first budget process he had ever been involved in where it was the poster child for incremental budgeting. He indicated this is the most archaic system he has ever seen.

Vice Mayor Trantalis stated that the problem with doing zero-based budgeting in every aspect of City government is the reinventing of the wheel every year. He felt there has to be some assumptions that certain departments are justified without being re-examined every year. Obviously incremental budgeting has created "budget creep" which has put the City over the top.

The Acting City Manager indicated that the City has to look at the marginal utility of some of the programs; changes might have to be made.

Mayor Naugle stated that by assessing the real costs of all of the different operations, it will help to identify what should be done internally and externally.

The Acting City Manager indicated that one of his concerns is that the Commission had been one of the proponents for zero-based budgeting, and he wanted to know how they wanted to be integrated into the process. He asked if they want to review the submissions coming in, or schedule a separate review at the end of June and review everything in depth, or do they want it to be shown as part of the total budget presentation package. The process would be very labor intensive.

Mayor Naugle stated that possibly one way is if it could be done in a public forum where they could have the option of observing the process. He indicated they would not participate in the discussion, but they could observe the process.

Commissioner Teel stated it is important for the initial year, and it would give the public an understanding of the process. She felt it could also be a preventative measure.

The Acting City Manager explained that within the next 10 days, they would come up with a final round of meetings and issue papers. Then, the information would be circulated to the Commission. There is a time frame with which to deal, and it might not be a situation where all five members of the Commission could be scheduled to attend. Commissioner Hutchinson asked for it to be scheduled and they would attend.

Mayor Naugle stated that it could also be put on the internet and individuals could watch whatever portion they chose.

The Acting City Manager stated this is going to be a challenging year, and there are still a lot of things to be taken care of. It is important for the Commission to understand what he has to deal with.

The Acting City Manager added that Mr. Gretsas, the incoming City Manager, and he had discussed the interaction they would have regarding his take over, and one of the

things to be considered is the question of what part, if any, of the reorganization package should be included in the budget. He wanted Mr. Gretsas' input as to what he felt might be feasible or advisable.

Mr. Gretsas stated they had spent quite a bit of time reviewing the plan over the last few days. He stated at some point he would make a recommendation.

Mayor Naugle suggested Mr. Gretsas meet with the Commissioners to receive their input regarding the reorganization plan.

There being no further business to come before the Commission, the meeting adjourned at approximately 2:10 p.m.