

CITY COMMISSION WORKSHOP WITH BUDGET ADVISORY BOARD

November 17, 2009

Present: Mayor John P. "Jack" Seiler
Vice Mayor Bruce G. Roberts, Commissioners Charlotte E. Rodstrom,
Bobby B. DuBose and Romney Rogers

Budget Advisory Board Members Present: Chair Alan A. Silva, Vice Chair Keith Cobb,
Bud Bentley, Marc Dickerman, Sam Monroe, Frederick H. Nesbitt, June D. Page,
Anthony Timiraos and Ray Williams

Also Present: City Manager – George Gretsas
City Auditor- John Herbst
City Clerk - Jonda K. Joseph
City Attorney - Harry A. Stewart

Absent: Desorae Giles-Smith, Budget Advisory Board member

Mayor Seiler called the meeting to order at 12:05 p.m. in the 8th floor conference room of City Hall. Introductions were made.

Keith Cobb indicated what the board would like to accomplish today and summarized their goals, recommendations, agenda for the next three months and urgency of getting started with the 2010 budget. A copy of this outline is attached to these minutes. He indicated that the board recognizes with its advisory capacity, it cannot implement all of these goals alone. The board is looking for guidance for where to focus its efforts. He went on to comment on their formal recommendations previously submitted:

3.a. Zero Based Budgeting – The Board recommends a serious review and refinement of the zero based budgeting concept attempted in the current budget process.

Mr. Cobb recognized an attempt was made this year, but the time was short. The board recommends outside consulting assistance to help with this.

The question was raised about finding a consultant and it was noted that no one on the board has that expertise.

Mr. Nesbitt indicated there are two on the board that have concern about exactly what zero based budgeting means and whether it is different for government compared with private sector. It may be a variation in order to achieve what the City wants to achieve. Mayor Seiler believed it can be done in a governmental setting and elaborated upon how he felt it works. He offered to see if the last Senate budget head, who just retired, would be available or someone else from the Capitol.

Vice Mayor Roberts agreed that zero based budgeting may not be a one size fits all in terms of all departments. He used an example from his tenure in the Police Department in deciding to look at statistics on crime rate reduction as opposed to number of citations. Public surveying on services may be something to consider.

Mayor Seiler requested the next three board meetings video-taped for the Commission's benefit if they are not able to attend.

Mr. Silva noted the network of financial officers statewide could be consulted as to zero based budgeting and what was found to be the best service delivery route decided upon. It would also be helpful to put information on the web. As the City Auditor is a member of the Florida Government Finance Officers Association, Mayor Seiler asked that he follow-up by Friday on determining the resources set out by Mr. Silva.

Commissioner Rodstrom emphasized the urgency of getting started whether it be with who the Mayor can get to assist or information found by the City Auditor.

Mr. Cobb indicated because this is not easy to do, the City may want to select one, two or three departments for the first year. Mayor Seiler thought that decision could be made at the board's December 16 meeting. Ms. Page indicated the board does not think that zero based budgeting could be accomplished in one year; it will be a long process. More savings will be achieved the years after the first year.

Mr. Bentley explained that the exciting part is challenging departments to reach goals set by the Commission. The Commission needs to fairly soon establish budget policies reflective upon the current economic situation. Inherent in this is how much freedom will staff have to make suggestions that will require policy changes. Do simply re-do everything will get the same results. Employee creativity needs to be tapped into. He went on to emphasize that priority setting early-on needs to take place so that it can trickle down to the employees for their information in preparing a budget that the Commission wants. In response to Commissioner Rodstrom, Mr. Bentley thought the Manager would set the tone for the budget process and have a lot of input in the priority setting by the Commission; it is a partnership.

Commissioner Rodstrom thought the consultant, or whoever is decided upon, will need to stay with the City for a period of time to make sure what is implemented is aligned with the goals.

Commissioner Rogers wanted specific short-term goals of this year and next. He wanted to not spend the reserve this year and next year the revenues match expenses. He wondered if there is enough time for the board to attend to short-term. Mr. Cobb indicated the board has resisted micro-managing the budget. Commissioner Rogers thought without an established goal, zero based budgeting is just the process. He felt input from the Commission should take place sooner than later. Mr. Williams felt if a technique for identifying priorities and their cost, then how much money there is to spend could be found later. Zero based budgeting identifies where to spend the money. He emphasized that zero based budgeting will not get the City where it needs to be this year. It is about reevaluating how the City does business as outlined in Item 2 (Summary of Budget Advisory Board Goals). Everything cannot be tackled at once; there needs to be a schedule. As the City Manager and staff look hard at things, the board could play a role in being the review arm before it goes to the Commission. Without specific guidelines for systematic accomplishing these issues over the next six to nine months, they will not get done. Therefore, priorities and a work schedule need to be set. He went on to refer to priorities set last year by the Commission. The non-negotiables of the Commission have to be prioritized.

Commissioner DuBose thought the concerns with zero based budget set out by the Vice Mayor are accurate. He did not think it would happen overnight or be a cure-all. It is a step in the right direction. Pension cost needs to be addressed. Budget problems will continue unless this is addressed.

Mayor Seiler felt the single biggest issue next year will be the budget. He wanted a follow-up meeting. There was consensus approval to holding another joint workshop on December 15, 2009, at the same time and the same format. In response to Commissioner Rodstrom, Mayor Seiler felt implementing a five-year plan is in the works and he did not think the board would be involved in improving budgeting and forecasting techniques.

2.c. Inter-local agreements for potential consolidation of similar services

In response to Mayor Seiler, Mr. Williams commented that the same responsibilities exist county-wide. Staff could be asked to look for efficiencies that could be achieved by working together and to begin dialogue. Mayor Seiler thought this was a good idea. He asked about the idea applied to athletic fields. Vice Mayor Roberts questioned if priorities should first be set because the listed items (Summary of Budget Advisory Board Goals) are sub-sets.

Vice Mayor Roberts went on to ask if the zero based budgeting would be limited to General Fund departments. He wanted to see if Enterprise Funds could be shared with General Fund departments so as not to rely only on ad valorem taxes and fees.

Commissioner Rogers reiterated his desire to focus on the next twenty-four months and immediate impact. For example, he felt inter-local agreements and outsourcing could be examined at the same time. Immediate effects of performance standards will not be seen unlike overtime reduction.

Mr. Cobb noted that the Broward Workshop has commissioned a study of all Broward cities, Broward County and perhaps the School Board, which would be a good comparative data and possibly information as to outsourcing.

Mr. Silva indicated that many of the suggested items (Summary of Budget Advisory Board Goals) should be wrapped into zero based budgeting and alternative ways of doing things. It also becomes a transparent way of justifying increases for example. Secondly, he agreed that Enterprise Funds need to definitely be examined. Mayor Seiler agreed that many of the items are wrapped into zero based budgeting.

To address Commissioner Rogers, Mr. Nesbitt indicated there are two recommendations for next year; 1) establish a quality assurance program and a cost of service analysis and 2) dispose of City property and 3) adjust service fees on a fixed schedule based on inflation and the cost of services. Mayor Seiler felt that there needs to be expenses reduced next year. He referred to an excellent report prepared on City property prepared by the City Auditor and agreed it needs to be addressed. He felt the following expense-side issues from Item 2, Summary of Budget Advisory Board Goals, should be examined next year:

- c. **Inter-local agreements for potential consolidation of similar services**
- d. **Explore supervisory leverage and potential department consolidation**
- f. **Outsourcing opportunities**
- h. **Overtime reduction and part-time employment**
- i. **Technology opportunities to increase efficiency**
- j. **Capital equipment replacement schedules**

Mayor Seiler saw these issues as the board priorities over the next twenty-four months.

Mr. Bentley thought that focus on some revenues is an expenditure focus. Pre-services are always over-consumed. If there are specific users, they can make informed choices of whether to consume the service. The balancing is how much it benefits the community, whether it is a public good. Without investigating the true cost, the expenditure analysis is not done. User fee revenues need to be adjusted. These tend not to be general services provided to the community. Mayor Seiler thought that they also are intended to be revenue neutral. Over the long term, Commissioner Rogers agreed, but thought for the next twenty-four months focus should be on the expense side. Vice Mayor Roberts agreed top priority is expenditure cuts, but he did not want to exclude revenue entirely. He noted it is more palatable to the public to raise fees gradually. Commissioner Rogers thought it is easier to focus on expenses because one already knows what that is, therefore it should be first priority although not ignoring the revenue side. Commissioner DuBose thought everyone is really on the same page.

Mayor Seiler asked if there are any additions to the list he offered. In response to Commissioner Rodstrom, Mayor Seiler felt Item 2.e, **Potential flattening of the organizational structure**, also falls under Item 2.d, **Explore supervisory leverage and potential department consolidation**.

Mr. Williams indicated that while zero based budgeting would address some of these items, there is a lot of low hanging fruit in these items (Summary of Budget Advisory Board Goals) that could first be achieved. Commissioner Rodstrom concluded the Commission should give the City Manager direction to look for the low hanging fruit while assistance is being sought on zero based budgeting.

3. **Formal Recommendations**

Mayor Seiler felt Item 2.d, **Employee Headcount** and Item 2.e, **Salary and Wage Levels**, are discussions for the Commission.

Concerning Item b, **Pension Costs**, Mr. Cobb felt the Commission should begin to look at the magnitude and reduction options. Mayor Seiler believed the League of Cities may be conducting a study and offered to check on the status. Commissioner DuBose commented it was discussed at the National League conference.

Commissioner Rodstrom referred to Item e and the upcoming General Employee contract renewal. Mr. Cobb commented that private sector is granting virtually no increases.

The City Manager referred to the list of items and that while there are good ideas, there is not perspective. Sixty percent of General Fund costs are police and fire and the vast majority of police and fire costs are salaries and benefits. Pension costs should come

first unless police and fire are off the table with negotiations nearing an end. If it is pension cost for general employees, he questioned what that means as the City has now converted to 401a for new hires. If it is zero based budgeting, his concern is what exactly does that mean. With respect to low hanging fruit, the four major expenditure departments in the General Fund are police, fire, parks and recreation and public works. The reason for the spending level is services people want and the cost of salaries and benefits. Cutting spending, means cutting things that people want. Until this is discussed everything else is meaningless. He believed the board agrees. Mayor Seiler felt that is a valid point. Commissioner Rodstrom wanted recommendations from management toward this goal. The City Manager indicated for his tenure the Commission has provided their expectations concerning the budget, and staff has delivered those expectations. Staff's responsibility starts once the Commission sets the direction. He wanted not to focus so much on process and more on results. A decision on the type of budgeting should first be decided and then spending should be tackled. Vice Mayor Roberts explained this is part of the process; that is, asking the Budget Advisory Board to assist with deciding upon direction. He felt all of these things will happen simultaneously. Although public safety is the primary purpose of government, it does not mean that savings are not pursued. He was opposed to any merger with the Broward Sheriff's Office. The City Manager explained that he thinks that cost reduction should be the starting point.

When discussion turned the priorities set earlier, Vice Mayor Roberts felt the Police Department could be flattened so there are more officers on the street, although it does not have to happen in one year. There used to be less command staff and he felt that could happen again. He clarified his thought is about transferring money to more officers on the street. The City Manager pointed out that the dollars have not been then addressed. Vice Mayor Roberts indicated it is unknown until they go through it. Commissioner Rodstrom thought by doing this the City will also establish an efficiency process which will save money. Commissioner Rogers pointed out that the major cost is personnel. He wanted to look at Item 3.d, Employee Headcount, to find out how many people are needed to run the City, and favored hiring an expert if necessary. Vice Mayor Roberts agreed, but cautioned against looking at numbers for the sake of numbers. One must look at the outcomes. Commissioner Rogers felt the level of services need to be decided upon. Although there is consensus on zero based budgeting, he felt Item 3.b, **Pension Costs** needs to be figured out now. He prioritized 3. Formal Recommendations as Items a. Zero Based Budgeting; b. Pension Costs, d. Employee Headcount and e. Salary and Wage Levels.

Mr. Cobb felt if done effectively, zero based budgeting will yield prioritization by department. He agreed there will come a time when the Manager and Commission will have to decide on whether to provide a function any longer. Commissioner Rogers thought that zero based budgeting will find inefficiencies.

Mr. Silva referred to Pension Costs and indicated it should be addressed sooner rather than later because there is a funding mechanism. There is an unfunded liability and an unrestricted reserve with which the City could restrict. Zero based budgeting will help decide on reorganizing and flattening. This is where the savings as far as supervisory can be realized.

The City Auditor felt the best way to approach the prioritization is to start with the people who perform the functions and then the Commission. The City Manager requested

direction on whether to start with a budgeting process. Also, he wanted to know sooner than later about areas of privatization to look into.

Mr. Bentley agreed with the City Manager with respect to process and focus on policy issues. He suggested budget policy guidelines for the Commission to consider on December 15. It has been recognized that the policy guidelines last year for last year were just that because the economy continues to deteriorate, assessed values continue to fall. The rest flows from those policy guidelines. Mr. Williams wanted the Commission to prioritize because the Manager cannot accomplish everything. He suggested Item 3.a, zero based budgeting process and 3.b, pension costs (Item 3, Formal Recommendations) and from Item 2, Summary of Budget Advisory Board Goals, he suggested Item 2.c, inter-local agreements for potential consolidation of similar services and Item 2.f, outsourcing opportunities.

Mr. Bentley asked about adding that staff drafting policy guidelines for next year. Commissioner Rodstrom agreed. Commissioner DuBose first wanted more information about zero based budgeting and whether the Commission is interested in including all departments. Mr. Bentley clarified it was only that there be something presented, not necessarily adopted. Mayor Seiler concluded that the Commission should be prepared to discuss policy guidelines on December 15. Commissioner Rogers did not think management should develop the guidelines, but rather recommendations.

The City Manager felt the board's feedback has been excellent.

Mr. Dickerman emphasized that the budget policy guidelines from last year no longer apply. He noted that the large reduction in property values is forcing the Commission to make hard decisions next year.

Mr. Cobb thanked the Commission for the workshop. He emphasized the urgency of getting started with zero based budgeting.

There being no further business to come before the Commission, the meeting was adjourned at 1:32 P.M.

Nov 17, 09

City Commission Workshop Meeting with Budget Advisory Board

1. What we would like to accomplish today:

- a. Review the Advisory Board goals
- b. Reiterate our formal recommendations to the Commission
- c. Discuss our agenda over the next three months
- d. Emphasize the urgency of early action on the budget

2. Summary of Budget Advisory Board Goals:

- a. Improved budgeting and forecasting techniques
- b. Establishment of a 5-year plan
- c. Inter-local agreements for potential consolidation of similar services;
- d. Explore supervisory leverage and potential department consolidation
- e. Potential flattening of the organizational structure
- f. Outsourcing opportunities
- g. Performance standards for departments and supervisory personnel
- h. Overtime reduction and part-time employment
- i. Technology opportunities to increase efficiency
- j. Capital equipment replacement schedules
- k. Review of capital projects

3. **Formal Recommendations:**

- a. **Zero Based Budgeting** – The Board recommends a serious review and refinement of the zero-based budgeting concept attempted in the current budget process
- b. **Pension Costs** – We recommend the City Commission direct the City Manager to conduct a study and present the Commission with a formal analysis of the available options to normalize these costs.
- c. **Supervisory Leverage** – The Board recommends an independent across-the-board study of the level of supervisory personnel for all departments, measuring the ratio of supervisory to operating personnel in each area.
- d. **Employee Headcount** – The Board recommends the Commission establish a formal headcount reduction target, to be achieved through attrition and hiring freezes
- e. **Salary and Wage Levels** – The Board recommends the Commission adopt a formal policy of restricting (or eliminating) salary and wage increases until the economy stabilizes.

4. **Agenda Next 3 months**

- a. **December** – Zero based budgeting strategies
- b. **January** – Property tax forecasts and collective bargaining agreements and privatization
- c. **February** – Potential efficiencies through inter-local agreements

5. **Urgency**

- a. Time is of the essence on the 2010 budget
- b. Recommend assistance be engaged