

**CITY COMMISSION JOINT WORKSHOP WITH BUDGET ADVISORY BOARD  
NOVEMBER 7, 2011**

City Commission Present: Mayor John P. "Jack" Seiler  
Vice Mayor Bobby B. DuBose  
Commissioner Bruce G. Roberts  
Commissioner Charlotte E. Rodstrom  
Commissioner Romney Rogers

Budget Advisory Board Present: Chair June D. Page  
Frederick H. Nesbitt  
Drew Saito  
A. J. Cross  
Brady Cobb  
Nadine Hankerson  
Andrew W. Russo  
Mark Snead

Absent: Anthony Timiraos

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| Also Present: City Manager | Lee R. Feldman   |
| City Auditor               | John Herbst      |
| City Clerk                 | Jonda K. Joseph  |
| City Attorney              | Harry A. Stewart |

Mayor Seiler called the meeting to order at 7:03 p.m. Introductions were made.

Item 2                      Remarks by Budget Advisory Board Chair

Chair Page conveyed the Board's optimism with the new city manager and the course he has set for the city. The Board is especially interested in how the reorganization will affect costs and operating efficiencies in the future. The Board's working relationship with staff is strong. The Board is unanimously concerned with the RFP process for possibly outsourcing the payroll function. They believe the process should be re-examined and possibly the RFP issued again. It was never the Board's intention for the RFP to be structured for the function to be all or nothing. They believe it should be focused on business outcomes and perhaps some process engineering. They would like to be more meaningfully engaged in the RFP process where budget items are concerned. The Board recommends that one of its members routinely sits on the writing and planning process of certain RFPs. They request the Commission use a reverse communication process regarding their recommendations. They rarely hear about the status of their recommendations. They request that the Commission address their additional recommendations made since the last workshop at this meeting. They also request that the Commission address the future of the Board at this meeting. They believe that the Board is allowed to review and comment on the budget before it is approved by the Commission. Mayor Seiler saw this as the number one role the Board could play and assured it will happen from this point forward. Commissioner Roberts agreed. It was generally expressed that the previous year was unusual as far as timing of the new city manager joining the City.

The City Manager indicated it has been a pleasure working with the Board. Staff is committed to active communication and bringing the budget to the Board prior to its submittal to the Commission.

Item 3            Review of Payroll Outsourcing Request for Proposals

The City Manager concurred with the City Auditor's review of the process. After a reevaluation, he anticipated coming back to the Board with a recommendation to modify the RFP. As to attending a meeting on rewriting the RFP, he explained there is no meeting to do this. The RFP could be provided to the Board prior to its release. There are other outsourcing opportunities being explored, but still in the conceptual stage and affected employees have not yet been informed.

The City Auditor believed outsourcing needs to be considered case by case. He did not think that outsourcing human resources/payroll would be positive, but thought it needed to be explored. He and the Chair heard several presentations. The general consensus was to look at the idea. Staff was directed by the then acting city manager to put together an RFP that came to be 180 pages. However, he thought the intent was not to replicate the existing system, but to come up with a better way. A fact-finding committee was created to report to the evaluation committee, which he believed has not been done in any other RFP. He did not find it to be objective because the people who were involved have a stake in the outcome. He also did not think staff did a good job in costing out activities to provide the same services that the vendor proposed to do and therefore, it was not accurate to reject the ADP proposal for that reason. Essentially the process was flawed. Without an improved process, the City will never have anything where outsourcing makes sense.

In response to Mayor Seiler, the City Auditor indicated that his office was not aware of the process until its conclusion. Mayor Seiler stressed that such matters should be run through the City Auditor's Office and to use him as a resource. Mr. Snead stressed that the Board also be used as a resource and mentioned the idea of a steering committee. Discussion ensued on the idea of a steering committee wherein Mayor Seiler suggested the Chair work with Assistant City Manager Hawthorne on this point.

There was consensus that the payroll outsourcing RFP would be scheduled for the next quarterly workshop.

In response to Mayor Seiler, the City Auditor advised there are certain functions that are better done by the private sector. Also staff could bid against outside vendors to determine who could do the work better which forces staff to think more creatively about how services are delivered. People not invested in the outcome will need to be involved. He believed the City Manager has staff in place to accomplish this. In response to Vice Mayor DuBose's question about loss of organizational knowledge, the City Auditor advised that all of the vendors consulted have expressed a willingness and experience with bringing existing staff onboard. Obviously, it will not be all of the staff, but rather the top performers. He elaborated upon how individuals would be selected and noted that the RFP could specify whatever number of new staff a vendor would hire that they come from City staff. Chair Page indicated that the department director generally stays and he or she would be a resource on the selection of employees. The City Auditor emphasized that once outsourced, contract compliance, administration and strong oversight becomes key to success. Outcomes and performance measures need to be included in the contract. The City Attorney indicated a bias is created when vendors are asked to help

write an RFP. It should not be done. The City Auditor advised that only informational meetings were held with vendors.

Dr. Hankerson wanted to make sure that outsourcing is not being used as a scapegoat for lay offs.

Discussion turned to what outsourcing opportunities could be considered. The City Auditor advised that building permitting is one. Chair Page advised that she and the City Auditor met with Calvin, Giordano & Associates, Inc. and a presentation was made to the BAB on building permitting, but it never went any further because of the resistance from management at the time. The City Auditor noted that there was an effort to outsource park rangers some time ago, but it was ultimately voted down. The City Manager indicated that there are examples of functions that have been outsourced. School crossing guards are one example. The City Auditor added that fleet maintenance is another excellent example. Assistant City Manager Hawthorne pointed out there are some in development but because of the sensitivity, the City Manager's Office does not wish to announce them. As to the writing of RFPs, he went on to emphasize the need not to replicate when process improvement is a goal. He elaborated upon how staff can reinvent and compete. The City Manager mentioned how outsourcing can be used for surges in demand for service. Generally, each case must be examined. Commissioner Roberts agreed with the City Manager on the need for in-house capability in disaster recovery. He felt the correct areas to explore have been mentioned. Commissioner Rogers suggested and Mayor Seiler agreed that the Board recommend opportunities and the Commission would then decide on which should proceed to the next level. Mayor Seiler elaborated upon reasons why he felt payroll could be privatized with a positive outcome. He understood why the City would want to control services that are provided to the general public, however payroll is a service provided to employees. He questioned the need for the same level of control. Mr. Cross pointed out that the Information Technology Services Department is also part of the payroll consideration. Mayor Seiler believed the City Manager looks at services provided and not departments per se. Mr. Snead felt other opportunities would be the print shop and housing. The City Auditor felt the newly created performance management office will significantly compliment this effort. There may be ways to make process improvements internally. He felt there is now staff in place and commitment to do this. The City Manager discussed plans to work on the building permitting process in January/February.

Commissioner Rodstrom raised the idea of revenue generating with the print shop doing outside work, for example. Mayor Seiler was not in favor of competing with the private sector. The City Manager noted that staff is discussing with Lauderdale-By-The-Sea the possibility of providing information technology assistance to that community.

#### Item 4. Budget Advisory Board's fiscal year 2011 budget recommendations

A list of the Board's recommendations since the last joint workshop was provided to the Commission and a copy is attached to these minutes.

#### Board recommendation regarding domestic partnership benefits for all City employees

Chair Page explained that the Board does not always receive sufficient feedback. One example is the domestic partnership. The Board did not know that the Commission had

acted on this item. The City Manager confirmed that this would be the staff liaison's responsibility and offered to followup.

Board recommendation regarding 250 non-unionized staff – pay increase

Mayor Seiler agreed this should be addressed. He commented that it was used as a political pawn by the last management. He felt it would be some time before there could be an evening-out. The City Manager noted that there has not been any increase for these employees since 2008. Mayor Seiler agreed with the City Manager's suggestion to present a recommendation to the Commission. Commissioner Roberts felt that everyone realizes the fairness issue in this. He agreed that something has to be done. It is now time to work for the future in solving it.

Board recommendation regarding other post-employment benefits (OPEB) trust

Mr. Nesbitt advised that the Board's recommendation is to establish a trust so that future city commissions would not be tempted to touch the money. This would also allow for more aggressive investment of the funds. The Board also had recommendations on how it should be funded. However given the City's financial situation, it may not be possible to fund at such a level at this time. The City Auditor advised that the City's recently revised investment policy allows for more aggressive investment of these funds, however, not to the extent permitted for pension funds. Once the funds are moved into a trust, they are forever removed from the books and cannot be used as a budget balancing tool for example. He noted the liability and the annual required contribution. Mr. Nesbitt advised that many cities are facing this issue. In response to Commissioner Rodstrom's question about funding this liability of approximately \$10 million from the General Fund and reserves, the City Auditor advised that those sources are dwindling. Given constraints on revenues, he did not think the City will have enough money to catch up. He felt the short-term goal would be to make the annual required contribution of \$5-6 million. In response to Mayor Seiler, the City Auditor advised that short-funding this liability started four years ago. The City Manager highlighted some facts on this topic. The Governmental Accounting Standards Board (GASB) established OPEB as a required disclosure in financial statements. These are benefits aside from pension. Part of this number is derived from an implicit subsidy because the City allows retirees to be part of the health insurance plan as required state statute. Also included is the City's contribution to some retirees' health insurance payments. GASB has not announced that cities are required to fund this liability, only to disclose it. Whether this has to be fully funded now or in ten years is really subjective. Mayor Seiler questioned whether this has any impact on bond ratings. The City Manager indicated that rating agencies want to know if a municipality has a plan. He did not think that not being fully funded would be a negative in the rating. The City Auditor agreed and elaborated upon the thinking behind GASB establishing this disclosure requirement for the benefit of future generations of taxpayers. The benefits provided by the City is a limited cash contribution ending at age 65; the risk is very finite. The City Attorney advised that it does affect the bond rating, however it is not a change because it has always been a footnote to the financial statement. The City Auditor clarified that the total value was not previously disclosed, only that a payment was made.

Mr. Snead felt the Board's recommendation could be divided into two pieces. One is to establish a trust and the other has to do with how much the City can afford to put into it. In response to Commissioner Rodstrom, the City Manager indicated that once a trust is established, the investment of those funds would be guided by the City's recently

updated investment policy; the City's money managers would decide upon the timing aspect. Mayor Seiler concluded that there is consensus to establish a trust. The contribution amount would be part of the budget process.

Board recommendation regarding parking fees

Mayor Seiler believed this has been addressed.

Board recommendation regarding investment policy

Mayor Seiler noted that this has been addressed.

Board recommendation regarding reserve

The City Auditor noted GASB's change in recommendation. Mayor Seiler noted that this has been discussed by the Commission. Formal action will be coming forward to the Commission.

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Chair Page indicated that the Board is concerned about the E911 Call Taking and Dispatch Services issue. Mayor Seiler indicated that the City is currently in negotiations on this matter. Good progress is being made. Commissioner Roberts indicated that the City is participating also in long-term public safety communications issues. Mayor Seiler asked that the Board work on a financial analysis on regionalization of this service.

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Item 5            Budget Advisory Board Recommendation Matrix

Chair Page noted that Assistant City Manager Hawthorne has remarked to the Board that the Board's matrix is in line with the new City Manager's philosophy and thinking of changes to make. Most of the items are in the process of being done. In response to her question about the status of surplus properties, Mayor Seiler advised that the Commission is regularly addressing parcels. Also, an amendment to the charter is in the process of being placed on the ballot. The City Manager agreed to provide the Board with the number of parcels that have been addressed.

Item 6            Scheduling future quarterly workshops

There was general agreement that Mondays would be suitable.

Mr. Cross suggested there be some thought given to revenue generating ideas. He raised the idea of a City store to sell various items such as hats with the Fort Lauderdale insignia. The City Manager commented on plans for a showcase in the City Hall lobby where items could be purchased in the utility billing office.

Mr. Cross raised the idea of a City owned and operated thrift store.

Mayor Seiler suggested the Board vet some revenue generating ideas and submit their recommendations to the Commission.

Mr. Cross provided a statement, dated October 24, 2011, which is attached to these minutes and went on to discuss its contents. He believed that the current definition of

the Board is vague. He felt the enabling legislation should be revised to be more specific as to how the Commission would like the Board to function. There is interest in safeguarding the integrity of the Board. He noted that while this was discussed by the Board, he is not speaking on behalf of the Board. He suggested the Board be redesignated as the Budget and Finance Accountability Board. Mayor Seiler asked the idea be scheduled before the Board and their position then be presented to the Commission. Commissioner Rodstrom agreed with the idea. Chair Page indicated that Mr. Cross's suggestion leans toward the Miami Beach model, which she felt is a successful and respected board.

Commissioner Rogers suggested the Board look into best practices with regard to code violation citation collections. The City Auditor offered to furnish copies of his audit on this matter to the Board. The City Attorney advised that a lot of the projected amount of uncollected is already gone by expiration of time, foreclosure, bankruptcy and so forth. Commissioner Rogers felt it will take some time to develop a successful collection process. Mr. Cross thought it may be something to outsource.

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New members Mr. Russo, Mr. Saito and Mr. Cobb introduced themselves and noted their experience and credentials.

Mayor Seiler thanked the Board for their service.