

CITY COMMISSION JOINT WORKSHOP WITH BUDGET ADVISORY BOARD

MARCH 26, 2012

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
Vice Chair Anthony Timiraos
Brady Cobb
A.J. Cross
Nadine Hankerson
Fred Nesbitt
Drew Saito
Mark Snead

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

Absent: Andrew W. Russo, Budget Advisory Board member

Mayor Seiler called the meeting to order at 7:04 p.m. Introductions were made.

Chairperson June Page indicated that the Board continues to have an excellent relationship with the City Manager's office. Over the past three months, the board has addressed the following issues: new budget prioritization methodology; budget and CIP (Capital Improvement Plan) process mapping; the MOU (Memorandum of Understanding between the Board and City Manager; payroll and timekeeping RFP's; code compliance; and was provided an overview of the General Employees' Retirement System by the plan's actuary and their trustee. An important issue the board would like to address is that the City's software to track programs, time, and funds is often incompatible across departments. The board's objective for this meeting is to receive a goals and priorities update; to point out the need for a mid-year budget examination; and to finalize the MOU. Further, the board wants the Commission to address the following longstanding budget priorities and indicate whether these or any others will be addressed at the Commission's upcoming workshop on goals, objectives, and priorities (goals workshop): no tax (millage rate) increases; no layoffs; no service cuts; no fire assessment fee increase; and to maintain an adequate fund balance. Depending upon what topics are addressed, the board would like to provide input prior to the workshop. It is imperative to reevaluate the budget's progress to date as it was inherited by this City Manager, and had to be quickly changed and implemented; therefore, some initiatives resulted in less expense savings than anticipated. Also, the funding need for the 911 call center must be addressed in this year's budget. Mayor Seiler confirmed that the Commission will address the longstanding budget priorities at their goals workshop on April 20, and wanted the board's input.

Memorandum of Understanding (MOU) between Budget Advisory Board and City Manager

The City Manager and Mayor Seiler indicated that there are no objections from staff or the Commission to the MOU. Mayor Seiler recommended that it be finalized as written, with a revision to include his legal first name. Discussion ensued as to whether the Commission was to sign the MOU. Mayor Seiler had no objection to signing the MOU as he felt it indicates a tri-party commitment; he asked that it be brought forward for Commission approval on the April 3, 2012 regular meeting.

City Commission Goals and Objectives

Mayor Seiler noted that the Commission remains consistent on not increasing taxes or the fire assessment. However, a different approach has been taken regarding layoffs. As an alternative to layoffs, the City has eliminated almost 300 positions through attrition, retirement, and the Bonus Incentive for Early Retirement Program which is about ten percent of the City's workforce. This was necessary rightsizing. The City Manager noted that only half, 65 of the 130 early retirement positions eliminated, were rehired. In response to Commissioner Rodstrom, he thought only a couple of employees who took the early retirement program intended to retire anyway. Mayor Seiler indicated that even if a new general employee is rehired at the same salary, there is a 23 percent savings in benefits because a pension is not included. Commissioner Rogers agreed with Mayor Seiler. He thought there is opportunity to examine the number of rehire positions in terms of how many employees are needed for the City to run efficiently. The City Manager noted that there may be positions that can be consolidated, but this would be a reduction in force, not layoffs. In response to Commissioner Rodstrom, Emilie Smith, Acting Budget Manager, indicated that the number of vacant positions and vacant funded positions available in the City will be calculated and brought forward next month. In further response, the City Manager noted that all of the vacant positions are funded as the City no longer carries unfunded vacant positions. Vice Mayor DuBose thought the service reduction is an opportunity to fine tune departments and get the right fit; the departments should be individually reviewed because sometimes an additional employee may increase efficiency which results in a net savings. Mayor Seiler agreed. He went on to clarify that service reduction is a Commission goal that falls more to the City Manager; and, the goal not to have layoffs is a matter of terminology because, instead, there has been a targeted workforce reduction.

Mayor Seiler wanted the reserve to remain at its current level; however, two major issues in the last six months have affected the City's approach. The City was unexpectedly billed \$5.2 million for 911 dispatch services which had never previously been the City's responsibility, so it was not budgeted. He disapproved of the County and State balancing their budgets on the cities' backs. Also, substantial State budget cuts in the water management district and the Department of Juvenile Justice have increased the City's costs. Furthermore, the City Manager pointed out that the Broward Sheriff has closed all of the satellite booking facilities so every individual arrested in Broward County is booked in the downtown Fort Lauderdale jail; and upon release, these individuals may become part of the City's transient population which affects the City's services. Also, the State has recently passed laws that curtail some municipal revenues; for example, the communications services tax will be reduced by about \$500,000; and an undetermined amount of funds will be lost due to restructuring of business tax receipts. He noted that the dispatch service is still free of charge to other cities; Fort Lauderdale is the only city being charged by Broward County for this service. Mayor Seiler thought this is grounds for a lawsuit.

Commissioner Roberts was concerned that more revenue or savings will be needed, if the same budget priorities are kept. This will be key information for the City Manager in determining the number and capacity of rehires. His greatest concern is how to increase revenue. Mr. Snead recalled making a recommendation last year about setting a 17 percent floor on the general fund balance. He questioned whether this budget will assume a draw down as the previous three have. Mayor Seiler thought a draw down should be planned for. He stressed the unfairness of the 911 dispatch bill as the City will essentially be subsidizing this service for other Broward County cities. He confirmed for Commissioner Rodstrom that the dispatch service will be a yearly cost. As such, Commissioner Rodstrom noted that it must be budgeted as a planned expense. The City Manager articulated that the dispatch bill poses the challenge of, either, finding \$5 million in new revenue, if the City's revenue remains the same; or cutting \$5 million without reducing services or layoffs. Commissioner Rogers indicated that there would be some savings if the rehiring process is phased over time as the projection showed a \$4-\$6 million savings if none of the 130 employees are rehired. The City Manager pointed out that most of the 65 rehires will not be hired until summer. Although it was believed that the Commission was going to adopt the 17 percent floor as policy, Chairperson Page articulated that the board has not been able to find a record of the Commission voting on this. Mayor Seiler thought and the City Auditor agreed there was consensus reached at a conference meeting for 16.66 percent. Mayor Seiler thought the current (floor) is 19 percent. The City Manager expressed desire to bring forward a series of formal policies for Commission consideration. Staff is developing a list that includes fund balance and debt. Chairperson Page confirmed for Mayor Seiler that the list is being vetted by the board. The City Auditor thought a formalized set of policies about the City's fiscal operations would be pleasing to rating agencies.

In response to Commissioner Rogers, Chairperson Page confirmed that the board can continue examining City departments in order to locate some savings. Vice Mayor DuBose thought this process would have to be started over because of changes to departmental structure. Commissioner Rogers noted that the City Manager will also work on this task. Mr. Cross questioned whether the City is looking for instant economic increases or revenues, or long-term, as there are opportunities for savings over time by implementing changes now. Possibly, labor is being applied where it is unnecessary because of antiquated practices. Mayor Seiler agreed and indicated that this is more of a short-term policy. The City Manager indicated that this matter can potentially be reviewed at the goals workshop; staff is currently addressing it. For example, he is in the process of quantifying long-term savings in personnel costs if the City was to utilize a more up-to-date financial package. Being that this will provide a guaranteed personnel reduction savings in three years, he felt the City should use reserves to fund it. Also, there were a number of duplicative services within departments that are now being consolidated and this will provide savings in a variety of areas.

In response to Mayor Seiler, Chairperson Page indicated that the board agrees with the Commission's budget priorities. The concept of spending funds from reserves to create savings or efficiencies is generally a good idea; however, the board supported a payroll RFP until it was discovered that time was kept differently by various departments, and the City's computer system does not allow for inter-departmental communications. Therefore, the board would not object to using reserve funds for a system-wide upgrade as this will create a future savings. But, the board does object to continuing to withdraw reserve funds for operations like payroll. In response to Commissioner Rodstrom, the City Manager explained that staff will be able to provide the expected amount of savings from the reorganization in time for the goals workshop. Mayor Seiler noted that an update on the Commission's goals and objectives could be provided at the next joint workshop in May.

Mid-year Budget Progress

The City Manager noted that there is between a \$1 million to \$2.5 million hole in the budget that was mostly created by the 911 dispatch matter, and is partly due to a delay with the pension obligation bonds (bonds). Staff is waiting for the actuarial reports and for the Commission's joint workshop with the (Board of Trustees of the General Employees Retirement System and the Board of Trustees of the Police and Firefighters Retirement System) before going forward. He referred to the backup provided to the Commission entitled How We Balanced the Fiscal Year 2012 General Fund Budget and Estimated Major Variances in the Fiscal Year 2012 Budget – Midyear Progress Update, which was made a part of the record. However, there has been some savings to compensate for the bonds not being issued such as \$4.1 million saved due to vacant positions in the early retirement program. Also, capital projects will be reviewed to determine which are dormant, and this could result in about \$5 million being returned to the general fund balance. In response to questions raised by Commissioner Rodstrom, Vice Mayor DuBose, and Mayor Seiler, he explained that the \$4.1 million savings is a conservative projection for the balance of this fiscal year. As for the pension obligation bonds, the original savings projection was \$7 million; there was an increased savings of over \$200,000 resulting from the early payment. He confirmed that (\$1,473,000) is the net (savings) for both pension funds, General Employees and Police and Firefighters. He went on to explain that the early pension bond payment resulted in a \$200,000 savings because the municipal market dropped significantly after the item was originally brought forward. As for the FPL (Florida Power and Light) franchise fees, he indicated that there is currently no rational basis for the significant revenue reduction (\$1,150,000). Staff budgeted \$17.5 million as the worst year of receipts for the five years prior to last year, but the current amount is about \$16.3 million. He confirmed that the City is entitled to an audit and staff has contacted FPL. In response to the City Auditor's indication that FPL is always two months behind in payments, Commissioner Rogers noted that the figure is still short. The City Manager pointed out that the FPL revenue was \$19 million on the budget he inherited, and the calculations have not been changed. He elaborated upon some possible explanations for the discrepancy. Mayor Seiler recommended an audit. In response to Vice Mayor DuBose, the City Auditor explained that the (franchise fee) amount is a percentage of FPL's monthly revenues, and it varies each month. Vice Mayor DuBose questioned whether all variables were taken into account when this projection was made.

In reference to the backup provided by the City Manager, the City Auditor disputed the shortfall figure. If the \$5.2 million CIP savings is moved to general fund, the shortfall is \$6.3 million; and if it is not moved, the shortfall is \$11.5 million. He noted that the Acting Budget Manager agrees. The shortfall is actually \$6.3 million, not \$2.6 million. He looked at the difference between what needs to be saved and what is being saved. Stanley Hawthorne, Assistant City Manager, was not convinced of the City Auditor's assertion. He believed the difference is due to the pension obligation bonds which have not moved forward yet. The Midyear Progress document captures the pension obligation bonds, and reflects all of the major (variances) that the City is aware of; so, each document must be viewed separately. Mayor Seiler wanted staff to provide an agreed upon and audited figure to work with. The City Manager thought the discrepancy is because an additional \$4.1 million was figured in, besides the \$4.1 million that is reflected in three categories (Department Funding/Reductions/Reorganization; Funding Reduction Vacant Positions; and Payroll Attrition) on the General Fund Budget document. The City Auditor offered to review this information. Mayor Seiler wanted staff to provide the reconciled information by the April 3 regular meeting, and provide it to the board. Mr. Snead supported the capital project initiative, but questioned whether some of these funds are earmarked and, therefore, are not completely fungible. The City Manager believed the \$5.2 million (CIP) can be moved. He is

currently performing an analysis and taking this concern into account. He elaborated upon the plan for moving the funds. In response to Mayor Seiler, he confirmed that this information will also be presented to the board.

Update on Payroll Request for Proposals

In response to Mayor Seiler, Chairperson Page explained that this has been tabled because it is difficult to issue an RFP if it is unknown how each City department keeps time. She pointed out that a software investment could make outsourcing (payroll) irrelevant. Mr. Cross agreed. The task force was originally created to look at the RFP, but changed direction to map the City's timekeeping procedures. Mayor Seiler thought the City's current system should be gutted and start from scratch. The City Manager indicated that this will likely be the case. He pointed out that staff included a board member, Mr. Cross, on the task force for the purpose of integration. Mayor Seiler was shocked at the length of time to issue the RFP, given that this seemed like a simple proposal. The City Manager explained that this is partly because the City still utilizes manual payroll processes. Departments each have their own system; a Citywide system must first be chosen, and then an RFP can be developed. There has not been any resistance from staff toward selecting a Citywide system. Mr. Hawthorne elaborated upon the sequence of events which led to the task force's discovery of differing systems among departments. Mayor Seiler reasoned that, if this is occurring with payroll, it must also be occurring in other areas. Mr. Hawthorne noted that the Information Technology Services Director will be brought in to share his overall assessment in April. Chairperson Page recalled that the board has worked on this for about six months, and there has been resistance which she elaborated upon; but, overall, it is improving. In response to Mayor Seiler, she confirmed that it is the board's recommendation to complete this initiative. She noted the responsiveness of the City Manager's office. Vice Mayor DuBose remarked that people are resistant to change. But, he thought meeting together to address the budget creates an easier culture that reflects collectively working to determine the best measures. Fort Lauderdale is an old city, and is antiquated; but, this may be the pilot for the City to embrace technology and save funds. Mayor Seiler agreed, and asked that the payroll (RFP) be tabled until the necessary information is provided by the City departments.

Dates for Future Quarterly Joint Workshops: May 21, August 27, December 10

There was no objection to these dates. In response to Mayor Seiler, the City Manager explained that, by May 21, staff will have an idea as to how far the City's expenses will exceed resources for the projected budget.

Old Business - None

New Business

There was no objection to the City Manager's request to reschedule the July 3 regular meeting to July 10 to allow staff additional time to work on the budget. The City Clerk offered to make sure the meeting date change is scheduled on the appropriate agenda. Mayor Seiler asked that this (also) be included on the April 3, 2012 conference agenda for the purpose of announcement. In response to Commissioner Rodstrom, the City Manager confirmed that July 10 will be the first reading of the budget.

Mr. Cross pointed out that revenue generating opportunities have been addressed, but there has not been a formalized plan of action. Commissioner Rodstrom recalled the idea to have a

retail shop operating out of Water Billing. She liked the idea, but did not think Water Billing would be the appropriate place for it. Mayor Seiler suggested a task force be created in order to develop some recommendations. Commissioner Roberts wanted to see all of the recommendations because the City needs revenue and savings. In response to Mayor Seiler, Mr. Hawthorne indicated that he has experience with a fiscal capacity study which allows for every conceivable form of revenue to be examined. This would be a major study on which staff would work directly with the board. In response to questions raised by Vice Mayor DuBose and Commissioner Rodstrom, he explained that the Manager's Office will be bringing in some fellows and interns, and this project can be assigned to them within two or three months. The City Manager added that, as part of the reorganization, three fellows were budgeted. Mayor Seiler recommended that Mr. Hawthorne and Chairperson Page bring back a joint memorandum that has been approved by the board at their April meeting, as to how the City can address fiscal capacity. Mr. Hawthorne thought the cost for the study would be about \$30,000 to \$35,000 annually. As part of the reorganization, the City Manager explained that three of the 65 positions to be filled will be full-time, no benefits, recent graduates with master's degrees in public administration; staff is in the process of conducting interviews. These (fellows) will work for the City for one year and complete various projects including the fiscal capacity study. Mr. Hawthorne clarified that the cost is not \$30,000 to \$35,000 to complete the (fiscal capacity study) as this is only one of their projects. In response to Vice Mayor DuBose, the City Manager indicated that the goal is to start all three fellows at the same time with each working separately in structural innovation, neighbor services, and budget. Mayor Seiler thought hiring fellows is mutually beneficial because the individual gain work experience and the City may retain them. The City Auditor recalled attending a seminar held by the Florida League of Cities for revenue enhancement for municipalities, and offered to provide that information. Mayor Seiler suggested that he join Mr. Hawthorne and Chairperson Page in creating the joint memorandum.

In closing, Mayor Seiler thanked the board members for their service.

The meeting adjourned at 8:17 p.m.