

City of Fort Lauderdale

City Hall
100 N. Andrews Avenue
Fort Lauderdale, FL 33301
www.fortlauderdale.gov



Meeting Minutes - DRAFT

Monday, April 28, 2014

7:00 PM

Joint Workshop with Budget Advisory Board

City Commission Conference Room

CITY COMMISSION WORKSHOP

FORT LAUDERDALE CITY COMMISSION

JOHN P. "JACK" SEILER Mayor - Commissioner
ROMNEY ROGERS Vice Mayor - Commissioner - District IV
BRUCE G. ROBERTS Commissioner - District I
DEAN J. TRANTALIS Commissioner - District II
BOBBY B. DuBOSE Commissioner - District III

LEE R. FELDMAN, City Manager
JOHN HERBST, City Auditor
JONDA K. JOSEPH, City Clerk
CYNTHIA A. EVERETT, City Attorney

Mayor Seiler called the meeting to order at 7:02 p.m.

ATTENDANCE ROLL CALL

Present: 4 – Mayor John P. “Jack” Seiler, Vice-Mayor Romney Rogers, Commissioner Bruce G. Roberts and Commissioner Dean J. Trantalis

Absent: 1 – Commissioner B. Bobby DuBose (arrived at approximately 7:48 p.m.)

Also Present: Budget Advisory Board: Chair June D. Page; Members Josias N. Dewey, Frederick H. Nesbitt, Charles “Chip” Burpee, James McMullen, Drew Saito, Bob Oelke, David Orshefsky and Bryson Ridgway

*April do we not say which charter officers were present; also how did we refer to Chair Page in the last set of minutes

No public comments were submitted by email for this meeting.

INTRODUCTION OF BOARD MEMBERS

Chair Page introduced new Board members, David Orshefsky and Chip Burpee, and noted their background.

NEW BUSINESS

BUS-1 14-0587 BUSINESS UPDATES - June Page, Chair

Budget Advisory Board (BAB) Chair June Page read from a prepared statement, which is attached to these minutes.

BUS-2 14-0588 CAPITAL IMPROVEMENT PRIORITIES AND FUNDING DISCUSSION

At Mayor Seiler’s request, Robert Nabors, City’s Alternate Funding Consultant, provided a brief overview of his background.

Board Member Bryson Ridgway noted that in the past joint workshop, the BAB and Commission discussed capital projects such as a City Hall and police headquarters. Recently stormwater management programs have been a topic of discussion. The BAB looked into financing options. He explained the BAB’s process and information provided for this meeting. There is an asset classification framework in the form of a memorandum, dated March 18, 2014. He went on to describe information in a document Nabors prepared titled, Concept Paper: Summary of CIP Categories and Potential Funding Sources. He suggested keeping in mind not just the cost of acquisition but also associated maintenance and operational costs. Ridgway then described and walked through information in a document titled, Example of Potential Capitalization Strategies for Specific Projects. The document lists capital projects and applies the analytical framework. In response to Mayor Seiler, Ridgway explained that the term “collateral” is asking whether the taxpayers are willing to guarantee whatever tax instrument is used. The alternative would be to provide an annual allocation as the budget permits. Lastly, Ridgway described a document titled, Alternative Funding Strategies for Capital and Infrastructure Improvements. All of these documents are attached to these minutes.

Vice-Mayor Rogers asked about categorizing complete streets in the public private partnership funding

source. Ridgway indicated that this was added late in the discussion without a great deal of dialogue. He suggested that a public transportation system could be funded by the private sector and made easier to finance by public support. The private sector could build, operate and maintain the system, thus taking on the risk.

Page emphasized that the BAB believes investments must be made in the city. In the past, the Commission has asked for recommendations on how to do that. The BAB has educated themselves on how to fund municipal projects and developed a framework by which financing options are identified for individual projects. Vice-Mayor Rogers pointed out that funding mechanisms would be dictated by the dollar amount.

In response to Mayor Seiler, Nabors explained that the local government infrastructure surtax would be countywide. The City Manager further clarified that cities representing 50 percent of the county population could collectively impose a surtax. The City Manager noted that if every city with a population above 70,000 got on board, the threshold could be met. Discussion ensued about how the Broward League of Cities could facilitate such a discussion.

Commissioner Roberts felt the next step would be assessing the price tags and setting priorities. The City Manager noted that a fair amount of the necessary data is included in the annual Capital Improvement Priorities (CIP) document. There are unfunded projects in just the General Fund amounting to about \$140 million. Some are ballpark figures but it offers an idea of the scope. There are additional needs in the Stormwater Fund. There is funding for phase one improvements, but phase two will be \$120 to \$150 million. Commissioner Roberts wanted to classify the unfunded projects into the categories provided by the BAB.

Mayor Seiler felt that those with the most public benefit should be ranked first. Stormwater is probably the most pressing. It could benefit the city as a whole, although some neighborhoods more than others. Approval could be approached almost on a neighborhood-by-neighborhood basis. Because of tourism, the business community and the marine industry, it should be a focus. Commissioner Roberts agreed and added that canal dredging is also an issue.

Vice-Mayor Rogers noted that it would be helpful for the BAB to advise on the City's debt ratio and a formula to decide whether to issue bonds. The City Auditor believed that a debt capacity analysis is underway. Obviously, there are debt covenants that currently have to be met which are reviewed with the annual financial statements. The City Manager added that staff is rewriting the debt policy. According to Moody's Investors Service, in cities with populations between 100,000 and 500,000 with the same AA rating, the overall net debt is a percentage of full value of all properties combined. The average is about 3.5 percent, and Fort Lauderdale is at 2.5 percent. In response to Commissioner Trantalis, he advised the City's total value is about \$31.5 billion compared to about \$13 billion for the average city in the same category. It depends on the type of debt. If the City was to issue general obligation debt, it has the capacity to maintain a good rating. A new revenue source such as the local government infrastructure surtax would be even better. The City Auditor added that if ad valorem debt is issued, the City may not have the capacity within its revenue stream to support additional debt service. The City has the ability to raise taxes and issue more debt. Debt capacity is examined in relation to the property value. Because the City has a low millage rate, there is ample room to issue more ad valorem-supported debt. An infrastructure sales tax would have a dedicated revenue stream, so the City would not be required to determine how to service the debt. Vice-Mayor Rogers added that a combination of both types is a possibility. The City Auditor agreed that the more funding streams are blended as collateral for a particular issue, the more complicated it becomes and the more difficult it is to explain the structure to rating agencies. Therefore, typically the interest rate increases slightly regardless of how good the structure is.

Commissioner Trantalis felt the next step is for the Commission to prioritize the goals set out by the

BAB. With respect to stormwater, the City Manager advised that an analysis on phase two is underway. Staff is in the process of acquiring a vendor to do engineering work, design and pricing. Once the information is available, discussions can begin on how to finance it. It most likely will come from an increase in the stormwater fee.

Commissioner DuBose arrived at approximately 7:48 p.m.

In further response to Commissioner Trantalis, the City Manager advised that in 2008 a stormwater master plan was developed which identified levels of service. Currently five specific projects are being designed. It is separate from the \$140 million CIP. In reviewing all unfunded needs for the next 30 years and not solely in the General Fund, it would probably amount to three-quarters of \$1 billion for infrastructure. Some is already funded through water and sewer rates. The City is already paying debt on the WaterWorks project, and when it is paid off, the City will have the capacity to undertake more improvements. For example, about \$30 million per year in debt service is paid from the Water and Sewer Utility Fund.

With respect to infrastructure, Commissioner Trantalis felt that as the City continues to grow, it has to take on more challenges. Projects such as WaterWorks 2011 and the fire stations were well-received by the citizens because they could see tangible results. The Commission should continue improving quality of life by moving forward with infrastructure projects. Assistant City Manager Stanley Hawthorne advised that staff is still in the middle of the budget review process. The Commission will be invited to participate in the BAB's budget review workshops. The previously referenced information provided by the BAB shows what they believe to be priority projects. The BAB will soon meet with department directors, after which the Commission can host another joint workshop wherein the BAB may narrow down the priorities. The City Manager did not believe this issue could be solved during this fiscal year. As budgets are being shaped and as the City comes out of the recession, it should examine how to reinvest in infrastructure needs. The BAB is doing due diligence to set the stage for identifying potential funding options. Commissioner Trantalis asked if the BAB has found ways to fund smaller projects in the next year. Page explained that neighborhood improvements, such as sidewalks and streetscaping, could be funded through special assessments. They heavily weighted quality of life issues. Board Member David Orshefsky said there is a question of how the Commission wants to approach infrastructure projects. He would like direction on whether the Commission prefers using recurring funding sources such as sales tax and home rule taxes. Commissioner Roberts understood that whatever mechanism is approved, a mechanism for maintenance should also be included. Orshefsky wanted to know how a recurring source of revenue would be established for such items as bridge replacements, streets and sidewalks. In general, Commissioner Roberts felt financing is probably the best way to go and user fees should be explored.

Page commented that unless the Commission provides specific direction, it is difficult for the BAB to delve deeper. Several studies are underway that will determine costs. It is difficult for the BAB to make recommendations on financing without first knowing the costs. She questioned where the Commission wants the BAB to go from this point. Vice-Mayor Rogers mentioned that, for example, there are some figures associated with planned projects in the Complete Streets program. He suggested the BAB could break it into segments and make recommendations for financing. Board Member Drew Saito explained that the BAB wanted to make funding and prioritization recommendations but intentionally pulled back because it is not their charge to prioritize the City's needs. However, they could assist staff if requested to do so. Once some of the studies are complete and reports are produced, priorities may need to be shifted. It will be ongoing. Mayor Seiler agreed it is a policy decision.

Mayor Seiler said sales tax is his preferred funding mechanism because both locals and visitors share the burden. The infrastructure is necessary in order for the city to remain a tourist destination. Sustainable matter such as stormwater management, runoff and flooding are priority. A city hall and police headquarters are not priorities but a lease-purchase may be an option for a city hall. Perhaps

all of the eastern cities with coastal issues could come together on a sales tax option. Miami Beach has already moved this issue to the forefront. Fort Lauderdale should be prepared for it. He liked the idea of a public-private partnership to fund the Complete Streets program.

The City Manager advised that the School Board is looking into potentially issuing bonds or raising revenues through sales tax. The 1 percent they are discussing is the same 1 percent the City would be entitled to. The School Board may try to get the question on the November ballot. Vice-Mayor Rogers added that the County also has been discussing transportation matters. Commissioner DuBose understood that the School Board would use the funds for infrastructure, facilities and technology.

In response to Commissioner Roberts, Mayor Seiler noted that there are other funding mechanisms for non-sustainable matters, but there is a limited capacity. Commissioner Roberts would like to review all the studies before such a decision is made. Vice-Mayor Rogers liked the sales tax and general obligation bond options because voters know how the funds will be spent. He is reticent about raising the millage rate because the City is in a good position and he wanted to see what rising property values will do. People generally respond better when they know where their money is going. Commissioner Trantalis did not think that people near Sawgrass Mills would want to pay an increased sales tax for Fort Lauderdale's stormwater problems. The County attempted to get a one-cent sales tax passed on transportation and schools, and neither passed. Mayor Seiler did not believe there was a plan in place. Vice-Mayor Rogers commented that if a bond issue is contemplated, the City should form a committee and organize a public education campaign. Commissioner DuBose said this Commission inherited many of these issues. He agreed with Mayor Seiler that the Commission needs to be more focused and prioritize. He believed there is a water issue throughout the state. Everyone from the panhandle to South Florida is trying to figure out how to address water issues. He believed it should be the priority and focus of the Commission. There is really no choice; water has made itself the priority.

Mayor Seiler turned the discussion back to the surtax idea for local government and infrastructure (sales tax). It has to be a majority vote of the governing body of the county and by voters in a countywide referendum. The City Manager clarified that the County Commission is required to put the question on a ballot. An alternative is for a majority of the cities to adopt resolutions to put it on a ballot. There is a statutory distribution formula or one can be drafted by interlocal agreement. The statutory formula with a full penny would generate about \$13 million annually for Fort Lauderdale. Mayor Seiler noted it could then be bonded for a revenue stream. Commissioner Trantalis pointed out it would not solve the City's needs entirely. Commissioner Roberts did not see it happening. He agreed with Commissioner Trantalis that a bond issue or neighborhood assessment are the only options. He wanted to look at some of the other items and be ready if federal funding becomes available. They should remain committed to feedback received from residents. Vice-Mayor Rogers pointed out that stormwater was the most significant in the survey. The level of service and bonding capacity should be decided and a committee for a bond issue be formed. Commissioner Roberts concluded that the Commission's direction to the BAB is to continue their work with an eye to prioritizing water and sustainability issues.

In response to Commissioner Trantalis, Page said the BAB is waiting on study results, Commission direction and the County's property assessment before looking to incorporate smaller projects into the next budget cycle. She explained for Mayor Seiler that the BAB worked through every line item. Some areas had a year-to-date revenue stream that did not justify the annual estimate. Much of the discrepancy was in the Parks and Recreation Department that had lost the staff member assigned to budget. She believed the Budget Office has a good grasp on the financial status for 2015. She commented on that BAB's excellent relationship with staff.

The City Auditor outlined his experience with an infrastructure sales tax in Jacksonville. Commissioner Trantalis pointed out that locally voters have turned down a new courthouse, transportation improvements and school upgrades. The City Auditor explained it was successful because the

improvements were bundled, covering a range of constituencies.

Commissioner Roberts suggested that there is a greater need for a new police headquarters than a city hall. The building sits on Broward Boulevard, a gateway to downtown. Money is being spent by the Broward Metropolitan Planning Organization on Broward Boulevard as a gateway to the downtown. It is not a pleasant place to work in.

Vice-Mayor Rogers said the problem with an infrastructure surtax is the City would have to get 40 percent of the rest of the County to buy into the idea and the County then has to put it on a ballot. It is worth trying but it should not be relied on as the only option. It would be a battle. He preferred general obligation bonds. Commissioner Trantalis commented how the purpose could change as discussion got underway with all participating cities. He agreed with Vice-Mayor Rogers with respect to the City maintaining control by a general obligation bond issue. It is more fair. Commissioner Roberts pointed out that the Metropolitan Planning Organization (MPO) is already conducting due diligence for a transportation sales tax. The City Manager corrected his previous statement and indicated the City would receive about \$17 million. Countywide it would be \$300 million. Mayor Seiler indicated that Fort Lauderdale is 10 percent of the population and probably 30 percent of the revenue. The City Manager advised that sales tax revenue is collected countywide and remitted back to the cities based on population. Fort Lauderdale gets the largest share because it is the largest city. It does not reflect the number of people spending money but rather the population. Under the state statutory formula, the County would receive \$123 million per year out of the \$305 million generated.

Page noted that dismissing a new city hall is an easy thing to do, but with a lease-purchase agreement, the City no longer has to maintain it. The police headquarters was not placed in that category because of how a lease would be guaranteed. Ridgway added that it is a public safety matter, so the asset could not be taken back by a private sector party. Commissioner Trantalis indicated that there have been discussions about a joint venture with a private enterprise. Commissioner Roberts thought the recommendation for a city hall is ideal.

Page suggested the City may be operating departments that could be better operated by the private sector, and a cost savings could be realized. The Commission has provided direction to focus on water issues, which would easily be addressed through either a bond issue or infrastructure sales tax. Therefore she questioned whether the BAB's role is finished. Commissioner Trantalis noted that the Commission wants the BAB to look into not just water but rising water, stormwater and Complete Streets. Commissioner DuBose believed the topic is not a simple. If focus is shifted to the low-hanging fruit items, there is less time to tackle this major issue. What water means to Fort Lauderdale needs to be defined. Vice-Mayor Rogers advised there are three elements in play. There are concerns about the color of water, stormwater containment and the level of service and sea level rise. He agreed it is not a simple matter. Commissioner Roberts pointed out that the BAB cannot do its job until staff provides the studies. He did not think that responsibility should be shifted to the BAB. Commissioner DuBose explained he was just stating that the issue of water is not simple going forward. He wanted to make sure it remains a priority. It has not moved forward because of the financial obligation, so it makes sense to share that information with the BAB. Commissioner Roberts noted that there are several issues that would fall under the categories of water and sustainability. It is not just about the level of service for stormwater. It could be Complete Streets from the standpoint of raising street level elevations.

Saito recognized that everyone is focused on the stormwater issue. However, he emphasized the lead time associated with projects of this nature, with a new police facility being one example. Interest rates are low now, but when it is time to issue bonds, the interest rate environment could be different. Commissioner DuBose agreed wholeheartedly and commented that it has already been discussed since this Commission came into office in 2009. Mayor Seiler felt there is now some clarity on the water issue as a priority and his preference is for a sales surtax. He would like to narrowly focus so that

the public understands the direction. In response to Page, Mayor Seiler indicated he would not categorize bridges with the water topic. There are so few and the benefit is not broad, therefore it seems easier to target them individually. The water issue has a more global impact. There has been serious flooding in all commission districts. Commissioner Roberts was comfortable making water a priority but did not want to exclude review of other projects. He wanted to be ready to act if something comes along. Hawthorne noted that prioritizing could also include sequencing.

Nabors offered some historical insight as to why the statutory formula provides such a pro-county percentage ratio.

BUS-3 14-0589 PRELIMINARY BUDGET FORECAST - Burton & Associates, Inc.

Budget Director Emilie Smith noted that staff has provided Burton & Associates, the City's financial consultants, with preliminary revenue numbers from the Revenue Estimating Conference Committee and preliminary expenditure requests from department directors. Preliminary figures show revenues match expenditures. In response to Mayor Seiler, the City Manager advised that the unrestricted reserves are expected to grow, and staff is also looking into making a larger contribution to capital.

Burton & Associates representatives reviewed their software model which details a 10-year general fund analysis.

Starting in 2016, capital outlay is being increased by \$500,000 per year, so over a period of 10 years there is \$77.5 million. The City Manager responded to Mayor Seiler's question about using these funds to bond. He explained that unless specific revenue sources are identified, it would be the full faith and credit which becomes a general obligation bond. Brief discussion followed relating to the reserves and contribution level from year to year as well as revenue from the fire assessment fee. In response to Mayor Seiler, the City Manager indicated that the goal would be to implement a true-up every three years. Projections are still on-track. In response to Commissioner Trantalis, consultant Michael Burton understood that at 2018 and going forward, there would be a deficit if the fire assessment fee is not adjusted. Brief discussion followed relating to property valuation, new growth and when new growth comes online. The City Manager noted that information in the model is very preliminary at this point. There will be a permit-by-permit analysis performed as to the status of projects and the likelihood of them being developed and when they would come onto the tax roll. Consultant Erick Malssen advised high-rise new growth was conservatively factored in at 75 percent. Commissioner Trantalis pointed out the 4.15 percent standard for increase in property valuation could dip. Some discussion followed about increasing the capital contribution by 10 percent. At about 2021-2022, it would have to be decreased. The City Manager noted that a small increase in property valuation this year will have a long-lasting impact going forward.

Page confirmed for Mayor Seiler that the BAB is in agreement with increasing the percentage allocation toward capital. Burton suggested that the BAB could examine funding capabilities within the other funds including impact to the average property owner. In addition to revenue from a surtax, other options should be simultaneously explored because it will be a multi-faceted solution.

Mayor Seiler drew attention to the City's cemetery perpetual care fund that is overfunded disproportionate to its needs. He would prefer to return the funds to the citizens or find a way to use it. After expenses, it is still growing at a rate of about \$1 million per year. Perhaps it could be used as a bonding source. Commissioner DuBose felt a complete analysis is needed because the city is on the verge of running out of cemetery space. The City Auditor commented that there is a moral and ethical obligation in terms of maintenance even if the fund was not available. Mayor Seiler did not like the idea of collecting money from people and simply holding it. The City Auditor advised that there have been discussions about capital acquisitions to expand the cemetery. Mayor Seiler did not believe expansion is necessary. Commissioner DuBose indicated he has completely different information on the cemetery

fund and the need. It should be kept in mind that the city will grow. A completely new demographic is coming to Fort Lauderdale and purchasing burial plots. He wanted to look at this topic and have a discussion on it. He has received this information from funeral home directors and Carriage House personnel.

In response to Mayor Seiler, Page confirmed that the BAB has not looked at the cemetery fund. The City Manager noted that staff has looked into it and found that space will be exhausted in a seven to 10-year time frame, meaning that the plots will be sold but not necessarily occupied. The purpose of the fund is to maintain the existing cemeteries or expand. Commissioner DuBose said options such as stacking plots are under consideration. Mayor Seiler requested the City Manager provide the projection information. He was under the impression that almost 70 percent of burials are now cremations.

Ridgway said this topic is a perfect example of determining whether something should be a public or private enterprise. Vice-Mayor Rogers said the service is contracted. Mayor Seiler added that the real estate is under City ownership. The City Auditor added that there are many private cemeteries throughout the state and country. There are private sector alternatives. He confirmed for Vice-Mayor Rogers that if those properties are sold the money could be deposited into the General Fund.

FUTURE JOINT WORKSHOP MEETINGS - TO BE DETERMINED

Page advised the next joint workshop is scheduled for August. Hawthorne noted that traditionally the BAB weighs in on the City Manager's proposed budget during June or July. Mayor Seiler said he was unsure whether a workshop is necessary but he would like the BAB's input.

Board Member Bob Oelke asked if Burton & Associates could meet with the BAB to discuss options for funds other than the General Fund if they are bonding sources for stormwater and other capital improvements. Burton said that models are being developed now. The City Manager added that staff is planning to work extensively with the BAB on all of the models.

OLD BUSINESS

Mayor Seiler asked about plans for more fire stations from the fire-rescue bond issue. The City Manager planned to build three more stations under the current projections with the idea of there being no land costs for Fire Station 8. A land swap will be needed and will likely be on the agenda on May 6 or May 20. Some discussion followed with respect to a land swap for Fire Station 13. Fire-Rescue Chief Robert Hoecherl indicated that the ocean rescue headquarters will be on this site, necessitating a footprint change, which he described. Mayor Seiler indicated that before another bond issue is discussed, this one should first be complete and without issues. The City Manager noted that the biggest challenge was identifying land for Station 8.

Mayor Seiler announced the upcoming fleet week.

There being no other matters to come before the Commission, the meeting adjourned at 9:18 p.m.