

City of Fort Lauderdale

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



Meeting Minutes - APPROVED

Tuesday, April 30, 2013

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

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

Meeting was called to order at 7 P.M. by Mayor Seiler.

ROLL CALL AND INTRODUCTION OF BOARD MEMBERS

Present : 5 - Mayor John P. "Jack" Seiler, Commissioner Bruce G. Roberts, Commissioner Dean J. Trantalis, Commissioner Bobby B. DuBose, and Commissioner Romney Rogers (arrived momentarily)

Also Present: Budget Advisory Board: 6 - Chairperson, June D. Page; Members: Drew Saito, Josias N. Dewey, Fred Nesbitt, James McMullen, and Bob Oelke

Absent: Budget Advisory Board: 4 - Members: Brady Cobb, Nadine Hankerson, Bryson Michael Ridgway and Chuck Black

Chairperson June Page read a prepared statement that is attached to these minutes.

OLD/NEW BUSINESS

- | | |
|----------------------|--|
| BUS-1 13-0657 | DEMONSTRATION OF GENERAL FUND FORECAST MODEL - BURTON AND ASSOCIATES |
| BUS-2 13-0658 | FISCAL CAPACITY STUDY |
| BUS-3 13-0659 | FIRE ASSESSMENT FEE METHODOLOGY |
| BUS-4 13-0660 | PROPERTY TAX RATE, FIRE ASSESSMENT FEE AND OTHER REVENUE POLICY IMPACTING DEVELOPMENT OF 2014 BUDGET |

The City Manager advised that Burton and Associates were tasked to draft a five-year model, but it developed into ten years. They worked with the Revenue Estimating Conference Committee.

Mike Burton of Burton and Associates explained that the software model simulates the financial dynamics of the General Fund, utilizing tax details for all properties in the city. There is a fiscal impact component. Growth is conversion from vacant to developed land or redevelopment. All revenue sources are identified. Information is taken directly from the tax rolls. Escalation factors have been examined for very budget line item. Factors can be changed in the model to see what would happen with such changes. There are assumptions about property values. Because they are difficult to predict, they were reasonably conservative. Assistant City Manager Hawthorne added that Burton and Associates has worked exhaustively with staff, Revenue Estimating Committee and the Budget Advisory Board.

Mr. Burton proceeded to demonstrate the forecast model. He described factors in the model including property value, millage rate and ad valorem revenue history. He noted that the Property Appraiser told staff that there would be an approximate three percent increase in 2014. There is about \$22 million budget gap this coming year.

The City Manager noted that planning needs to be based upon the County Commission's action on May 7 with regard to police and fire emergency communications. He believed there could be a net

savings to the budget of about \$7 million per year which would entail transferring the radio system to the County also and switching to their computer aided dispatch system. Erick Malssen of Burton and Associates noted that costs and associated revenues relating to the dispatch scenario have been built into the model which will affect revenues and expenses in the future in terms of growth. Mr. Hawthorne explained in the past two years there have been significant reductions, but not the types of solutions that will get rid of the structural imbalance. The Budget Advisory Board (Board) has recommended the financial principle of structurally balanced budgets be adopted. It basically means revenues equaling expenditures and no borrowing from one-time sources such as reserves. In response to Commissioner Trantalis, the City Manager explained as ad valorem tax revenues were decreasing, the City was using built-up reserves to balance the budget. A point has been reached there are not sufficient reserves to continue. Emilie Smith, Budget Manager, noted that ad valorem tax revenues dropped from about \$135 million to \$4 million. Mr. Hawthorne indicated that the forecasting has the assumption of being non-recessionary. Also, the two-month reserve level is the benchmark standard from the Government Finance Officers Association. The bond rating agencies asked how willing is the policy-making body to consider adopting policies that the City will be solvent and strong. In response to Commissioner Rogers, Mr. Burton advised that growth is assumed at a similar proportion to homestead exemption as the existing database. The City Manager advised that all known projects have been factored in. In response to Vice Mayor Roberts, Mr. Malssen advised that the forecasting can show the impact of increasing existing user charges by various percentages. In response to Commissioner Trantalis, Mr. Malssen devised that the forecasting includes year-end budgetary estimates and the future is projected on the preliminary 2014 budget. The City Manager advised additional assumptions were factored in such as growth in wages and benefits which represents about eighty percent of the General Fund. In further response, Chairperson Page advised that the Board unanimously agreed that some combination of millage and fire assessment fee increase is needed. The Board believes that management has done a very good job in cuts and the Board does not think big cuts would be possible this year unless services are reduced. Speaking to previous cuts, the City Manager noted that fleet purchases were deferred for several years which will have an impact if not addressed going forward. Insurance reserves were used this year to lower the General Fund's cost of being self-insured, which cannot continue to be done. Things were done that are unsustainable. There are still some unknowns. For example, the pension boards have not yet furnished their actuarial studies. The City Auditor noted that substantial fluctuations are amortized over a five-year period (smoothing). There will likely be increased pension costs for the next two years. The City Manager noted that the early retirement program lowered personnel costs by about \$3.2 million for the next five year and then it will increase to about \$7 million in year six. Some strategic items have been accomplished, but he did not think such a luxury would be possible in this coming budget. The City Auditor noted that two-thirds of the budget is public safety. Mayor Seiler felt cuts will have to be considered. In response to his question, the City Manager advised that waste and Resource Recovery System savings does not go into the General Fund. Over two or three years, the return on investment in the Sanitation Fund could be increased and realized in the General Fund. It should be spread over several years. Afterward, the same structural imbalance will exist. In further response, he outlined reserves in other funds but some cannot be touched. Commissioner Rogers thought the sanitation fees could be reduced to help with the net effect on the individual. He needs to know if there are enough employees and what is the appropriate pay. The City Manager noted that in such case, an approach has to be thought through for those positions that are below market.

Mayor Seiler felt services will have to be reduced. The City Auditor expressed his concerns about future impact on employee cuts that have been made to internal support or the administrative side. There are things that should be done that are not getting done and will come to light with the U.S. Housing and Urban Development Department saying that documentation is incomplete and therefore \$3 million is owed, for example. The City Manager pointed out that most expenses are fixed; a small piece is discretionary or quality of life. Instead of a mantra of doing more with less, perhaps it should be do

fewer things better which would mean a reduction in services. Commissioner DuBose felt services have already been cut. He pointed out that the ten percent across the board cut had an impact. Commissioner Rogers indicated that his comment about services was based on discussion with the City Manager. The City Manager commented that the real estate administrative area was cut back and it has hurt the City in its ability to deal with surplus properties. Mr. Hawthorne felt it is about quantitative and qualitative. While employees have taken on more, ultimately it will affect quality. Landscaping is an example. He felt attention needs to be given to the quantity of services. Public safety may have a couple dozen types of services; some civilianized and others sworn. This level of detail is needed. The City Manager pointed out that special events have a cost. Other items are the level of landscape maintenance and traffic studies required when the County is requested to make a change. Sponsorships are drying up. Mayor Seiler raised the concept of cost recovery. In response to Commissioner Trantalis, the City Manager advised that the City's part of the Wave Streetcar project is not included in these numbers. He intends to use sale of surplus properties for this purpose. Ms. Smith added that many departments have submitted requests for additional personnel because the reorganization pain is now being felt. Furthermore, these numbers only includes \$2.7 million in capital improvements. Commissioner Rogers thought the City could help enhance property values by improving streetscapes and medians. Since interest rates are so low, he suggested bonding for infrastructure. Mayor Seiler pointed out that the return on such an idea is unknown. Discussion ensued on this philosophy. The City Auditor indicated that if there is a policy requiring a certain amount into the budget each year for capital improvements and it is bonded instead, the rating agencies will say that the budget is not structurally balanced. The City Manager believed Broward County may be the only large urban county in the state that does not levy an additional penny sales tax for local infrastructure. Such a levy would produce \$16 million annually for Fort Lauderdale. Ms. Smith pointed out that the average property owner is paying thirty to forty percent less in ad valorem taxes than they were five years ago. In order to look realistically at the Board's recommendation, Mayor Seiler felt the Commission needs to look at some combination of spending decreases and revenue. Mr. Oelke noted the close-out of the General Employee Pension Plan will have a cost impact. Ms. Smith advised that there are four scenarios. The range of expense is \$1.1 million to \$7.4 million per year. This has not been factored in at this point. The City Auditor indicated assumptions at the time the decision was made to close the plan was that it would be very expensive in the short term, but a cost savings over the long term. There are no more reserves set aside for this purpose. With such a budgetary impact, the City Manager pointed out that it may be good to have certain decisions come to the Commission versus the independent board alone.

In response to Mayor Seiler, the City Manager enumerated examples of fire assessment and millage rates for Miramar, Tamarac, Pembroke Pines, Sunrise, Davie and Hollywood. Mr. Hawthorne commented that because of no rate increases over a period of time, the City had to fix the imbalance overnight. In response to Commissioner Trantalis, the City Manager explained that the fire assessment should cover the cost for fire suppression, not the medical side of the department. If it was cover totally, the assessment would be \$204 which should then increase each year. Mayor Seiler commented that this fee has not increased since the fire stations were built. After a general discussion about the City's history concerning the millage rate. Chairperson Page pointed out that the fire assessment fee is regressive different than the millage. She suggested considering raising the millage rate with some combination of the fire assessment fee. She was concerned about quality of life. Living in the same residence for eighteen years, the street has never been paved. Budget cuts will probably not be in public safety, but rather things that will affect people's lives. Although the Board did not have a specific recommendation, it was leaning toward a millage rate increase but a combination of both millage rate and fire assessment fee. Mr. Nesbitt pointed out that raising the fire assessment fee only may be hard on a senior citizen with a fixed income or a very low income family. Whereas, they would not be affected by a millage rate increase because of the homestead exemption. The Board thinks there should be some sharing of the burden between the millage and fire assessment. A person with a

\$50,000 home and one with a \$5 million home or a \$5 million home and a large yacht would pay the same amount of fire assessment. Mr. Oelke pointed out that property owners are only responsible for sixty-five percent of the fire suppression costs because the remaining percentage of calls for service go out to the roads and public areas, that is, they are not attributable to a type of property. Accordingly, the City is at full cost recovery now. Discussion ensued about various cases of fire assessment attributable services, such as traffic accidents and drownings. The City Auditor explained there is a cost to operate the department, thus the number of calls is irrelevant. Mr. Burton explained that there is a methodology that has been validated by the courts about a fire department being ready to provide the service, regardless of whether it is called upon. The fee can be made more progressive. A percentage up to about fifty percent can be allocated per parcel and the remainder can be assessed based on the value of the structure on the property. Only one city in the state has used this method.

Mayor Seiler commented that during the economic downturn, he did not believe and still feels that it would not have been wise to impose an increase to taxpayers. Vice Mayor Roberts viewed this matter as programming for the future. More revenue is needed to meet the goals identified in the Neighbor Survey and the 2035 Visioning Update. He was reluctant to change the area of public safety because it is a priority and people seem to be pleased with the service. Salaries and benefits are part of the negotiation process.

Mayor Seiler referred to information distributed and titled, Broward County Cities Comparative Data. Ms. Smith pointed out that Fort Lauderdale has an influx of people working here as well as tourism. Mr. Nesbitt emphasized the need to not overlook user fees. Some fees have not been adjusted since 1999. It should be addressed on an ongoing basis. The City Manager noted that user fees have to be linked to the reasonable cost to provide the service. He believed that the user fees are pretty much in line. He did not anticipate that any significant revenues would be generated. Ms. Smith commented that raising a program fee could mean that the user would go to a neighboring city instead. Commissioner Rogers commented about an awning installation permit fee being more than the cost of the awning which could be an incentive for people to bypass the permit step.

Both Mr. McMullen and Mr. Saito agreed with Chairperson Page's comments on the recommendation for a combination. Mr. Saito went on to emphasize that the visioning document demonstrates that a lot of citizens are asking for things, which is the bigger picture. The city should not lose sight of that bigger picture. Mr. Dewey commented that if capital improvements continue to be deferred and another downturn occurs, the City will be in a real bad state. Mr. Oelke emphasized with the regressive nature of the fire assessment fee, in some cases it will be a higher cost to a homeowner than property taxes. He also wanted to echo the City Auditor's comments about the number of cuts in the "back office". There are a host of costs that need to be addressed otherwise something unpleasant will happen. Costs will be increasing and revenues need to increase to cover those costs. Marty Kurtz, chair of the Audit Advisory Board and a member of the Revenue Estimating Conference Committee, felt that cost recovery should not be ignored, but the study has not yet been completed. He referred to the Cost Recovery Pyramid in the Fiscal Capacity Study as a tool in this area. A copy of the Cost Recovery Pyramid (page 51) is attached to these minutes.

Mayor Seiler asked that the Fiscal Capacity Study and the Revenue Manual asked that these documents be put on the City's website. He also requested staff obtain the same information shown on the Broward County Cities Comparative Data be obtained for the thirty largest cities in the state.

FUTURE QUARTERLY JOINT WORKSHOP - AUGUST 26, 2013

In addition to this workshop, Mr. Hawthorne noted there is twelve hours scheduled with the Commission in June. The Board will be meeting weekly during the month of May.

Mayor Seiler suggested the Board's recommendations to date be distributed again.

As a part of closing remarks, Mr. Hawthorne noted that the Audit Advisory Board has formed a cooperative relationship with the Budget Advisory Board. Mr. Kurtz explained that former Audit Advisory Board member Bob Oelke will be serving as a liaison between the two boards. In the past, some of the major audit findings have not gotten to the Audit Advisory Board until June which is too late for the budget process. Now that the Board receives them in March, they will bring their conclusions to the Budget Advisory Board for the budget process. This is essentially a year earlier.

The workshop adjourned at 9:02 p.m.



Venice of America

CITY OF
FORT LAUDERDALE

April 30, 2013

Honorable Mayor and City Commissioners
City of Fort Lauderdale
100 N. Andrews Avenue
Fort Lauderdale, FL 33301

Dear Honorable Mayor and City Commissioners;

The Budget Advisory Board held its regularly scheduled meeting on April 17, 2013 and passed two motions for communication to the City Commission.

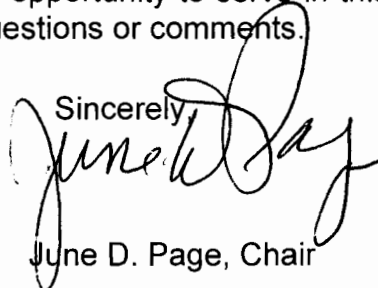
Fiscal Capacity Study

The Budget Advisory Board made a motion to accept and transmit the Fiscal Capacity Study to the City Commission. Motion passed unanimously.

Maintain Current Methodology for Fire Assessment

The Budget Advisory Board made a motion to maintain the current methodology for setting the Fire Assessment Rate. Motion passed unanimously.

Thank you for the continued opportunity to serve in this capacity. Please contact me directly should you have any questions or comments.

Sincerely,

June D. Page, Chair

c: Lee Feldman, City Manager
Jonda K. Joseph, City Clerk
Stanley D. Hawthorne, Assistant City Manager
Emilie Smith, Budget Manager
Budget Advisory Board



APRIL 30, 2013

Good Evening.

My comments tonight are very brief. This Budget Workshop is probably the most important one we will have this year. Tonight Management will present you with their FY14 budget forecast. The Budget Advisory Board and the Revenue Estimating Committee have worked very closely with staff while this forecast was being formulated.

There will be a budget shortfall in excess of \$20 million dollars in the upcoming FY. The Burton Financial Forecast Model will show you the details of this shortfall. Tonight the City Manager and the BAB are asking that you make important decisions on how to close this gap. Management has made significant inroads on cost reductions over the last year. Certainly expenses can be reduced further, but cutting \$20 million in costs from the FY14 budget does not seem feasible. The option of using cash reserves is no longer a possibility as we now only have 2 months of cash reserves. The BAB believes you are faced with the necessity of raising revenues to close the gap. While we are a group of fiscal conservatives, at our last meeting I took a poll and the members in attendance unanimously supported a milage rate increase and/or an increase in the fire assessment fee of some kind. We know this is a difficult political decision. The only other alternative is significant service reductions.

Thank you,

Broward County Cities Comparative Data

City	Adopted FY 2012				Adopted FY 2013		
	Operating Millage	Fire Assessment	% of Assessable Costs	Rank	Operating Millage	Fire Assessment	Rank
Southwest Ranches	3.9404	442.51	100.00%	1	3.9404	442.51	1
Lauderhill	6.8198	365.00	100.00%	2	7.4198	388.00	2
West Park	8.9900	350.00	85.00%	3	9.4200	350.00	3
Weston	2.0000	328.34	100.00%	4	2.0000	333.27	4
Miramar	6.4654	197.00	64.61%	10	6.4654	304.90	5
Tamarac	6.6850	265.00	85.00%	5	7.2899	265.00	6
Pembroke Pines	5.6368	235.44	100.00%	6	5.6368	235.44	7
Margate	7.7500	225.00	100.00%	7	7.5000	225.00	8
Lauderdale Lakes	9.5000	197.66	88.39%	9	9.5000	215.00	9
Parkland	4.0198	210.00	100.00%	8	3.9999	210.00	10
Oakland Park	6.0138	167.00	85.00%	14	6.4315	196.00	11
Unincorporated (Broward County)	2.3353	190.00		11	2.3353	190.00	12
Hollywood	7.4479	189.00	100.00%	12	7.4479	189.00	13
Sunrise	6.0543	139.50	56.00%	16	6.0543	169.50	14
Cooper City	5.0526	141.89	92.00%	15	5.6866	161.28	15
Hallandale Beach	5.9000	125.00	82.00%	25	5.9000	145.00	16
North Lauderdale	7.4066	169.00	95.00%	13	7.6078	143.00	17
Wilton Manors	6.2068	128.84	100.00%	22	6.2068	141.65	18
Coral Springs	4.3939	128.77	100.00%	23	4.5697	138.10	19
Coconut Creek	6.3857	130.88	100.00%	19	6.3346	137.43	20
Deerfield Beach	5.1865	135.00	100.00%	17	5.1856	135.00	21
Fort Lauderdale	4.1193	135.00	53.20%	18	4.1193	135.00	22
Davie	4.8122	130.00	36.00%	20	4.8122	130.00	23
Lauderdale-By-The-Sea	3.9990	130.00	86.66%	21	3.9312	130.00	24
Dania	5.9998	128.42	66.00%	24	5.9998	128.42	25
Pompano Beach	4.7027	111.00	61.33%	26	4.9700	122.00	26
Lighthouse Point	3.5893	84.37	25.00%	27	3.5893	84.37	27
Hillsboro Beach	3.3900	N/A		N/A	3.8000	N/A	
Lazy Lake	4.9481	N/A		N/A	5.8349	N/A	
Plantation	4.6142	N/A		N/A	6.1142	N/A	
Sea Ranch Lakes	7.5000	N/A		N/A	7.5000	N/A	
Pembroke Park	8.5000	N/A		N/A	8.5000	N/A	

Denotes Rate Increase from Previous Year.

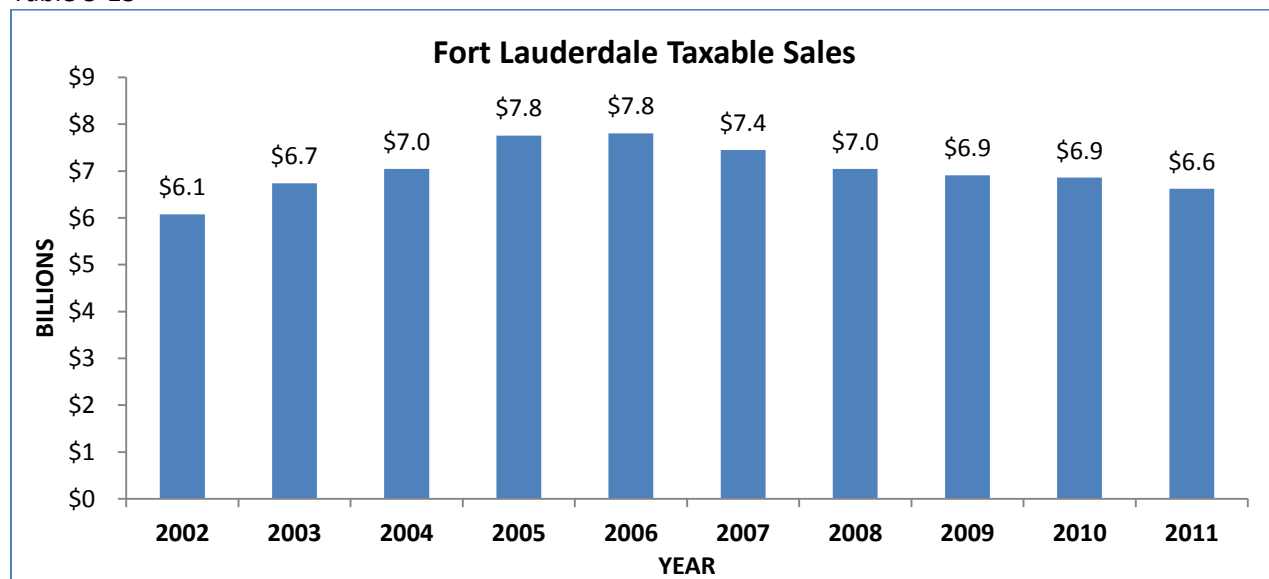
Denotes Rate Decrease from Previous Year

Left Messages - No Response As of Yet - Assuming No Rate Changes Currently

11/27 @ 100%

Other types of excise taxes include those levied on specific items such as cigarettes, alcoholic beverages, gasoline and other types of motor fuel. Since the taxation authority for levying such taxes is constitutionally preempted to the state, the state must formally authorize local governments to levy, receive, or use specified revenue sources. These specified revenues are commonly referred to as intergovernmental revenues.

Table 5-13



Source: Florida Department of Revenue

Table 5-13 shows a comparison of annual taxable sales in the City of Fort Lauderdale. The graph illustrates that there has been an annual reduction in taxable sales since calendar year 2006 when taxable sales were at their highest. Taxable sales data are popularly used as an indicator of regional economic activity. A portion of sales tax revenue is shared between County governments in Florida. Once the revenue has been allocated to County governments, the revenue is then distributed to each incorporated municipal government by area population. For Fort Lauderdale this means that increased retail sales related to tourism do not equate to a commensurate increase in the intergovernmental tax.

The public service tax, or municipal utility service tax, is one of the most common, yet significant, types of sales tax throughout the country. These are taxes levied by a unit of local government on the purchase of utility services within the boundaries of a jurisdiction. Examples of the types of utility services include electricity, telephone, water, gas, and cable television. Generally, municipal utility service taxes rank third in importance as a governmental revenue source for Florida municipalities, behind revenues accrued from ad valorem taxes and state shared revenues (Florida ACIR).

A broader definition of excise taxes may include any of various taxes on privileges often assessed in the form of a license or other fee. In general, licenses and fees (e.g. recreation fees and fire assessment fees) are not included in this report's definition of the City of Fort Lauderdale's excise