



CITY OF FORT LAUDERDALE

APPROVED
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JULY 18, 2018 – 6:00 P.M.

Board Member	Attendance	10/2017 through 9/2018	
		Cumulative Attendance Present	Absent
June Page, Chair	P	8	0
Drew Saito, Vice Chair	P	6	2
Brian Donaldson	P	2	0
Gregg McKee	P	7	1
James McMullen	P	6	2
Fred Nesbitt	P	7	1
David Orshefsky	P	8	0
Wesley Parker	P	7	1
Johnnie Smith	P	6	2

Also Attending

- Lee Feldman, City Manager
- Stanley Hawthorne, Assistant City Manager
- John Herbst, City Auditor
- Laura Reece, Budget Manager
- Diane Lichenstein, Assistant Budget Manager
- Lian Chan, Prototype Inc.

Communications to the City Commission

None.

Purpose: To Provide the City with input regarding the taxpayers’ perspective in the development of the annual operating budget; to review projections and estimates from the City Manager regarding revenues and expenditures for upcoming fiscal year; to advise the City Commission on service levels and priorities and fiscal solvency; and to submit recommendations to the City Commission no later than August 15 of each year regarding a budget for the upcoming fiscal year.

I. Call to Order

The meeting of the Budget Advisory Board was called to order at 6:00 p.m.

II. Roll Call

Roll was called, and it was determined a quorum was present.

III. Approval of Meeting Minutes

A. June 12, 2018

Mr. Parker explained that his vote against using a trips-based methodology to support stormwater improvements was because he did not have enough background and he felt they had been presented with a false choice because staff had not explained how the hybrid would be broken down.

Mr. Orshefsky felt that since five Board members out of nine had been present, the term “consensus” was overstating the Board’s position regarding the ITE index in a suburban versus an urban environment. Mr. Donaldson stated the Board had been informed that the ITE index was a standardized measure that was used. Chair Page felt the minutes were reflective of the Board’s conversation.

Motion made by Mr. Parker, seconded by Mr. Donaldson, to approve the June 12, 2018 minutes as presented. In a voice vote, motion passed 6-1 with Mr. Orshefsky opposed and Mr. Nesbitt abstaining.

IV. Floor Open for Neighbor Input

None

V. Old Business

- Infrastructure Task Force (ITF) Update

Mr. Orshefsky reviewed the ITF recommendations.

1) Do away with ROI, in deference to the potential fiscal impact of terminating it immediately, a proviso was added stating that if it was phased out, it should take no more than 4 years

2) Regarding stormwater, the hybrid approach had never been presented to the ITF, just trips, so they had voted on trips based.

3) Regarding contributions to maintenance and other capital requirements, in the past, the BAB had recommended a minimum of 2.5% of the operating budget but the ITF recommended it should be 7-10% and should come out of general revenues. To balance the budget, the ITF recommended additional ad valorem or cost reductions in the rest of the budget. That was also how they recommended funding the ROI phase-out.

4) Update impact fees regularly; this should be part of the regular work program.

Mr. Orshefsky said if the ROI funds were phased out over four years, this would necessitate an increase in the ad valorem to be added back into general revenue. Mr. Saito felt that raising ad valorem taxes over the course of four years could make the public less likely to vote in favor of a bond to pay for building a new police station. He said any discussion of phasing out the ROI should include ways to recover the lost revenue elsewhere. Mr. Orshefsky said it was up to the City Manager, not the BAB, to recommend the City Commission raise taxes or cut services to make up the difference.

Mr. Hawthorne said the City Commission had not discussed the ITF's recommendations as of the end of their July 10 meeting, but they did discuss the BAB and he was not certain the Commissioners "got the Budget Advisory Board's thought correct." The City Commission's vote may therefore have been conditioned on a misunderstanding of the BAB's opinion.

Mr. Orshefsky reported that while discussing setting the millage rate at that meeting, one of the Commission's first motions regarded "how to address ROI and how to reduce it" and this discussion had arisen from the ITF recommendations. Mr. Hawthorne remarked that it was "far from settled, what the City Commission is going to do." They had agreed to reduce the ROI by 25% over four years and still must determine how to accomplish that: increase the millage and/or reduce services.

Ms. Reece informed Mr. Saito that the misunderstanding was that "the BAB was in support of shutting off ROI." Mr. Hawthorne said staff could deliver a Communication to the City Commission for clarification if the Board voted to send one. Mr. Herbst added that Board members could send an email to Commissioners.

Mr. Donaldson thought just one Commissioner had misunderstood the BAB's opinion. But the Commission had voted 3-2 to reduce the ROI by \$5 million and possibly raise the millage rate and/or cut services. He said each Commissioner's position after the fact was different. Mr. Donaldson said the BAB should inform the City Commission about their position on the ROI.

Mr. Herbst stated the consensus of the Commission was to reduce ROI, so the BAB could add more value by helping them address that decision, not by stating opposition to it. Mr. Orshefsky felt they should wait for City administration to make recommendations for making up the \$5 million. Chair Page wanted to inform the City Commission that the BAB "had not said at any time that we wanted to...stop taking ROI out." Mr. Nesbitt recalled that years ago, the BAB had taken an opinion opposing ROI and presented it to the previous City Commission, which had rejected it.

Mr. Saito did not feel the BAB should be offering an opinion regarding ROI policy. Ms. Reece said this was the type of issue staff brought to the Board for input. Mr.

Hawthorne thought it would be appropriate to inform the City Commission “whatever is factually correct, and that is the Budget Advisory Board had not taken a position.” Chair Page asked Ms. Reece to send the City Commission a letter on her behalf stating this and Ms. Reece agreed.

A. Joint City Commission Workshop Preparation

VI. New Business

- City Manager Presents the FY 2019 Proposed Budget and the FY 2019 – FY 2023 Community Investment Plan (CIP)

Ms. Reece and Mr. Feldman provided a Power Point presentation, a copy of which is attached to these minutes for the public record.

Mr. Feldman said the City Commission had decided to phase out the ROI by 25% per year over four years. They had passed a small millage increase to raise the \$5 million and to put 25% of the ROI back into the Water and Sewer fund. The Commission had charged Mr. Feldman with cutting \$5 million from the budget so they would not need to raise the ad valorem millage. He was planning to make a presentation for the Commission with two options: A. Raise the millage rate to 4.2648; B. Cut \$5 million from the budget. He said he would not recommend laying off personnel and instead would recommend cuts in other areas, which the Commission would not like because these were areas the Commission had talked about, such as capital and facility maintenance.

Mr. Herbst remarked on the high demand for Police Officers, making it more difficult to hire them. Mr. Feldman said it was a very competitive environment for Police Officers, Firefighters, building inspectors and IT.

Mr. Feldman pointed out that the typical property owner was paying considerably less in City taxes than in 2008.

Mr. Feldman said if they kept the \$5 million from ROI in Water and Sewer, they must find a way to spend it. He already had a five-year capital improvement program and there was an ordinance in the City stating that if they had too much money in the fund as of April 1, they must offer a rebate on the rates. The \$5 million, plus the \$5.6 million they would get back from Broward County for the Wave, would put them in the position of offering rebates. Mr. Feldman explained that the water and sewer rates had the principal and interest payments for all of the City’s debt built in. If they used the ROI to pay it back, the rates would be lowered.

Mr. Hawthorne said the economy was a crucial part of this discussion. The economy ran in cycles and in 2008, after the economic collapse, Mr. Feldman had been given no options by the previous City Commission to balance the budget and the ROI had been

instituted. Mr. Feldman reminded the Board that infrastructure included water, sewer, roads, bridges, parks and City buildings.

Mr. Orshefsky asked Mr. Feldman what infrastructure capital projects would have to be cut when the ROI was phased out. Mr. Feldman referred to a list in the Power Point presentation.

Ms. Reece calculated that if the ad valorem rate was raised once instead of four times over four years, a \$300,000 home with a \$50,000 homestead exemption would see an increase of \$175 per year. Mr. Feldman stated increasing over four years would be easier for a homeowner to absorb. He noted that they would base the water and sewer rates on phasing in retention of the ROI, resulting in lower water and sewer rates.

Mr. Saito asked Mr. Feldman if the City Commission understood the unintended consequences of this policy decision. Mr. Feldman thought the Commission was aware of the consequences. The Commission must now decide how to make up the loss over the course of the next four years. Mr. Saito was concerned about City staff morale when they witnessed four consecutive years of departments' funding being reduced.

Mr. Orshefsky suggested the Board might be better off recommending to the Commission one single ad valorem tax increase all at once if that is what the Board wants to do, but waiting until next year so the TRIM notice of the millage rate could be set high enough to recover all of the ROI at once. Ms. Reece reminded the Board that businesses would see a 21% increase if it were enacted at once.

Mr. Nesbitt agreed with Mr. Orshefsky that they should they should wait for City administration to make recommendations for making up the \$5 million before making their own recommendation. Mr. Feldman may devise a workable plan for the \$5 million this year, and the Board could recommend waiting until next year to raise taxes.

Ms. Reece returned to the Power Point presentation. She pointed out that they now had diversified sources of revenue, which protected the City in the event of economic downturn. As they took away revenue sources, they became more dependent on property taxes and more subject to State laws and Homestead Exemptions.

VII. Joint City Commission Budget Workshop – Monday, August 27, 2018 at 12 noon

Ms. Reece asked Board members to email staff any questions prior to the next meeting. In August, they would prepare for their joint meeting with the City Commission, where they would make a recommendation regarding the City Manager's budget.

Ms. Reece said the Water/Sewer rate study presentation would come to the Board in August.

VIII. Communications to/from the City Commission

None

IX. Board Member Comments

None

X. Adjourn

Upon motion duly made and seconded, the meeting was adjourned at 7:44 p.m.

Minutes written by J. Opperlee, Prototype Inc.



City Manager's Office
Budget/CIP & Grants Division

2019

Budget Advisory Board Meeting

July 18, 2018

City Manger's Office Budget/CIP & Grants



City Manager's Office
Budget/CIP & Grants Division

City of Fort Lauderdale

General Fund FY 2019 Budget Estimates

As of July 10, 2018

Proposed Revenue	\$362,553,864
<u>Proposed Expenditures</u>	<u>\$362,553,864</u>
Proposed Deficit	- 0 -



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Revenue Highlight Changes

- ❖ Increase in Ad Valorem Revenues - \$10.5 million
- ❖ Increase in Return on Investment from Parking Fund - \$890 thousand
- ❖ Increase in Fire Assessment Fees - \$380 thousand
- ❖ Increase in Utility Taxes - \$627 thousand
- ❖ Increase in Code Enforcement Board Fines - \$665 thousand
- ❖ Increase in Lien Research Fees - \$233 thousand
- ❖ Increase in Business Taxes - \$200 thousand
- ❖ Decrease in Fire-Rescue Transport Fees – (\$650 thousand)
- ❖ Decrease for one-time revenue from the Sale of the Compost Site – (\$14.3 million)
- ❖ Decrease for one-time repayment from Nuisance Abatement Assessment – (\$500 thousand)
- ❖ Decrease due to lower than expected Vacation Rental Fees – (\$160 thousand)
- ❖ Decrease in Lien Reduction Revenues – (\$200 thousand)
- ❖ Decrease in Alarm Response Fees (\$220 thousand)





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Key Revenue

Proposed Budget Assumptions

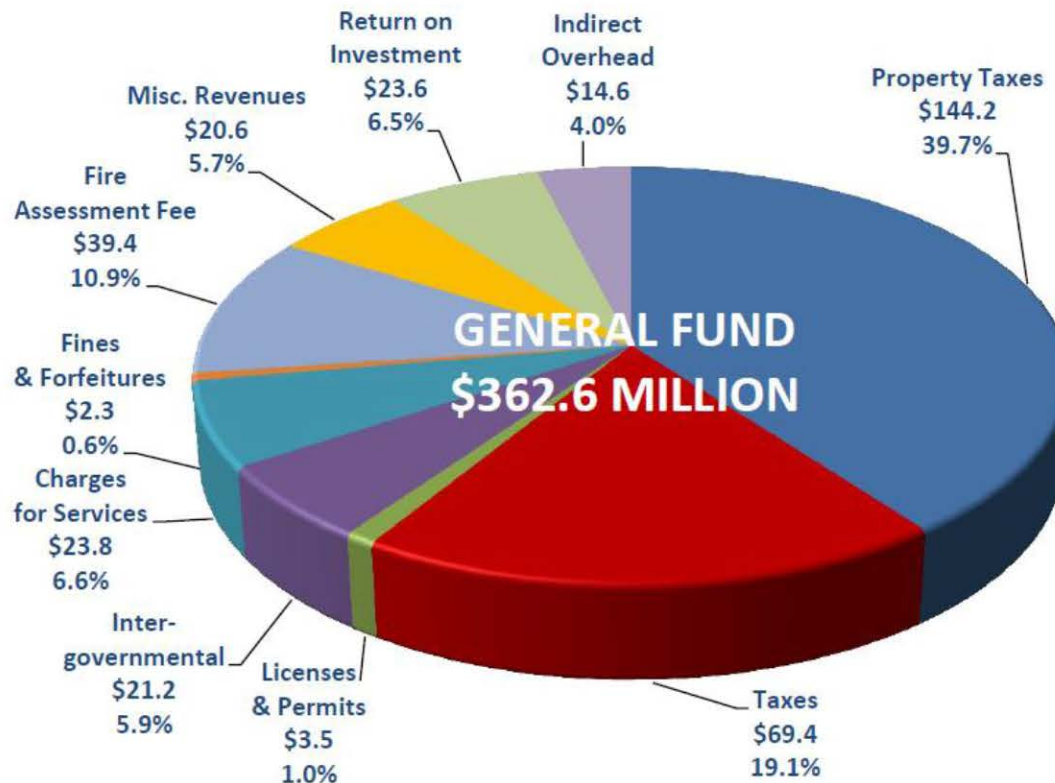
- ❖ **Fire Assessment – Recommended to remain at \$256
(True-Up to full cost recovery would be in FY 2020)**
- ❖ **Millage Rate – Recommended to stay the same - 4.1193**
- ❖ **Maintains Return on Investment transfer from Water and Sewer, Central Regional Wastewater, and Parking Funds**



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Where the Money Comes From





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Expense Highlight Changes

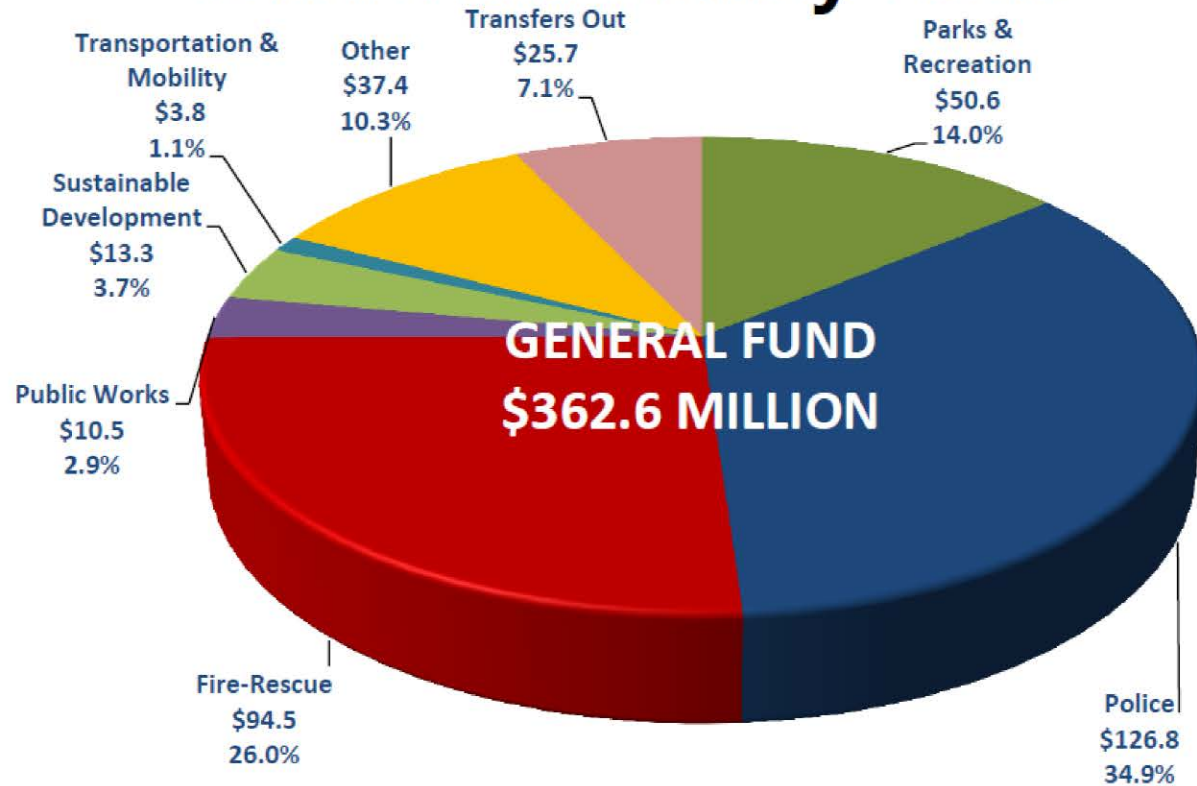
- ❖ Increases for Contractual Wage Adjustments - \$10.9 million
- ❖ Increase for life insurance and wellness incentive expenses - \$500 thousand
- ❖ Increase for Fort Lauderdale Nova Southeastern University Museum of Art - \$500 thousand
- ❖ Increase in City Health Contribution - \$1.0 million
- ❖ Increases in Utility Expenses (Water and Electricity) - \$700 thousand
- ❖ Increase in Workers' Compensation Expenses - \$1.6 million
- ❖ Increase in Transfer to Community Redevelopment Agency - \$1.0 million
- ❖ Increase for Fleet Replacements, Overhead, and Maintenance - \$1.0 million
- ❖ Decrease for professional service contracts – (\$2.0 million)
- ❖ Reduction in vehicle and equipment purchases – (\$1.3 million)
- ❖ Decrease in Pension costs related to Additional Employee Contributions – (\$1.6 million)
- ❖ Decrease for final payment to Museum of Discovery and Science – (\$333 thousand)
- ❖ Decrease in Transfer to General Capital Projects Fund - (\$20 million)



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Where the Money Goes





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Recommended FY 2019 Community Investment Projects

PROPOSED GENERAL CAPITAL PROJECTS	FY 2019
Facilities Assessment Priorities	2,000,000
Sidewalk and Paver Replacement	1,000,000
Bridge Restoration	750,000
Mills Pond "Green" Improvements	749,300
Police Marine Patrol Vessels	710,000
Fire Alerting System - Replacement	500,000
Parker Playhouse Renovations	500,000
Walkability NE 4th, 3rd Avenue to US 1	500,000
City-Wide Playground Replacements	497,250
Breakers Avenue and Birch Road Improvements	410,000
Restroom Renovations, Jimmy Evert Tennis Center	404,060
Annual Asphalt Resurfacing	388,262
Aquatics Complex Renovations	337,711
Citywide Camera Initiative	300,000
Land Management System	241,957
NW 15th Avenue Complete Streets Project	200,000
Riverwalk Park Improvements	200,000
Annie Beck Park Improvements	89,148
TOTAL	9,777,688



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Return on Investment (ROI) Policy

- The transfer from the City's enterprise funds to the General Fund is permissible in lieu of profits earned by an investor owned utility/facility. The amount transferred shall be based on the "rate base" multiplied by a reasonable rate of return on the municipality's investment in the enterprise fund's assets.
- The City shall use the Net Position of each enterprise fund as reported in the most recently published CAFR as the "rate base"; the intent is for this amount to represent the City's investment in each enterprise fund's assets.
- The City Manager will recommend a reasonable rate of return that falls within the lower and upper boundaries of the reasonable rate of return in his/her recommended budget. The City Manager's recommendation will be based upon each fund's ability to pay. The City Manager may recommend reducing or waiving a return on investment to the General Fund for any reason explained as part of the adopted budget resolution.



CITY OF FORT LAUDERDALE

POLICY AND STANDARDS MANUAL

CHAPTER: 9 | SECTION: 1 | SUBJECT: 6
DATE: May 9, 2016

CHAPTER:	FINANCIAL AND PURCHASING
SECTION:	GENERAL
SUBJECT:	ENTERPRISE FUNDS RATE OF RETURN
AUTHORIZATION:	Lee R. Feldman, ICMA-CM, City Manager

[Signature] 2016.05.10 12:57:31 -04'00'

1. PURPOSE:

The City provides various services to residents through the operation of publicly owned utilities/facilities within the framework of enterprise funds. It is the intent of these separate funds to permit the treatment and operation of publicly owned enterprises in a similar, market-driven, manner to that of their private counterparts.

In order to determine the enterprise fund's revenue requirements and to properly set rates for services; the City must clearly define a policy for transferring funds from the enterprise funds for the purpose of providing a Return on Investment to the General Fund.

2. GENERAL POLICY:

For the purpose of treating the enterprise fund as if it had been privately owned and operated, the City shall transfer from the enterprise funds to the General Fund an amount on investment that is based upon a fair rate of return on the City's investment.

3. DEFINITIONS:

- Rate Base** - is the value of property in the enterprise funds that the rate of return is applied to in order to determine the appropriate transfer to the General Fund. The rate base for the City's enterprise funds will be based upon each fund's net position as reported in the City's most recently published Comprehensive Annual Financial Report.
- Comprehensive Annual Financial Report (CAFR)** - is a set of U.S. government financial statements comprising the financial reports of the City that complies with the accounting requirements promulgated by the Government Accounting Standards Board (GASB).
- Rate of Return** - is the rate of profit that the City receives on the level of investment made into the utility/facility's assets. A fair rate of return should be determined through a market driven approach.

4. DETAILS:

- Each year the City Manager will recommend a rate of return for each enterprise fund in his/her recommended budget. This rate will be based on a reasonable rate of return and will be based on a part of the asset...



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Value of 1 Mill*

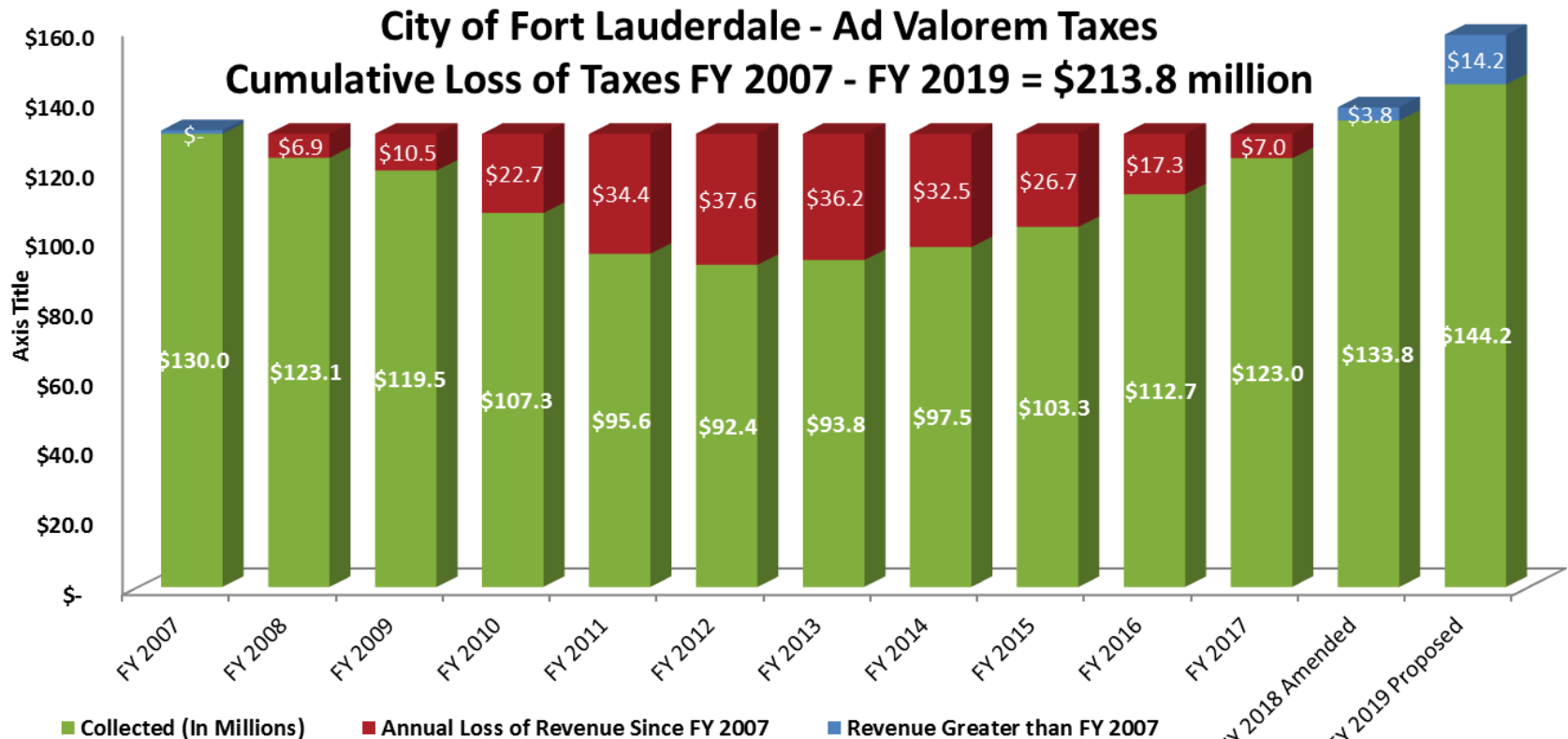
FY 2019 Value of 1 Mill			Property Taxes at 4.1193 Mills		
Mills	Gross Revenue	Net Revenue (96%)	Value of Home	With \$50,000 Homestead Exemption	No Homestead Exemption
1.00	\$36,476,193	\$35,017,145	\$300,000	\$1,030	\$1,236
0.75	\$27,357,145	\$26,262,859	\$275,000	\$927	\$1,133
0.50	\$18,238,096	\$17,508,573	\$250,000	\$824	\$1,030
0.40	\$14,590,477	\$14,006,858	\$225,000	\$721	\$927
0.30	\$10,942,858	\$10,505,144	\$200,000	\$618	\$824
0.25	\$9,119,048	\$8,754,286	\$175,000	\$515	\$721
0.15	\$5,471,429	\$5,252,572	\$150,000	\$412	\$618
0.10	\$3,647,619	\$3,501,715	\$125,000	\$309	\$515

**The Value of 1 Mill calculation is based on FY 2018 Values.*



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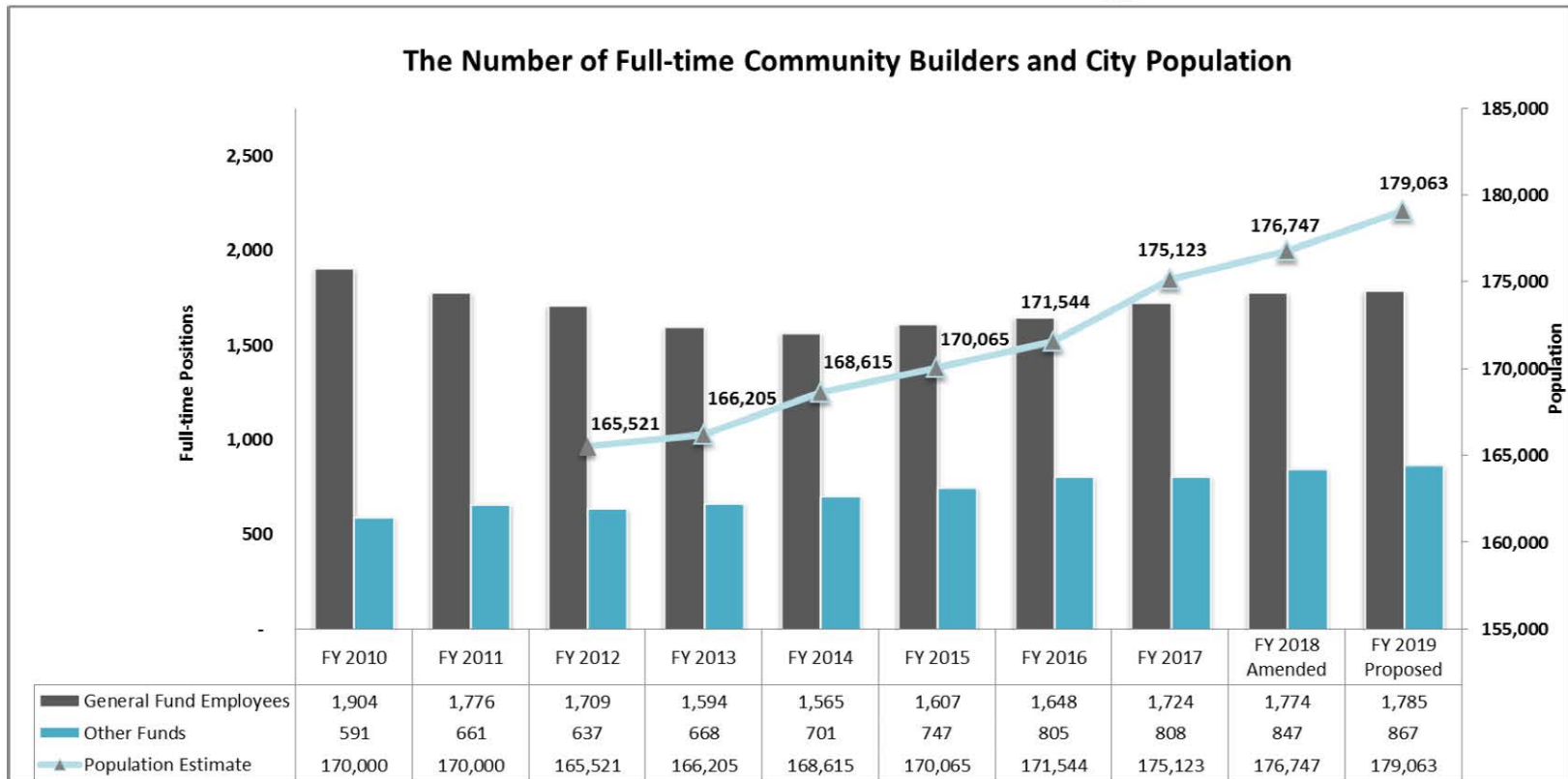
Holding the City's millage rate steady at 4.1193, even when the City's taxable property values decreased, resulted in a loss of approximately \$232 million from 2007 to 2017. Property tax revenue finally recovered in FY 2018 and in the FY 2019 proposed budget exceeds the FY 2007 level by \$14.2 million.



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Full Time Community Builders





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Return on Investment (ROI)

Fund	FY 2017		FY 2018		FY 2019	
	Amount of ROI	Percent of Net Position	Amount of ROI	Percent of Net Position	Amount of ROI	Percent of Net Position
Water & Sewer	\$ 16,320,638	3.90%	\$ 16,235,798	3.90%	\$ 16,235,798	3.86%
Central Region	\$ 3,989,617	3.90%	\$ 4,146,066	3.90%	\$ 4,146,066	3.71%
Parking	\$ 2,221,849	4.45%	\$ 2,275,124	4.45%	\$ 3,163,695	4.45%
Stormwater	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Total ROI Revenues	\$ 22,532,104		\$ 22,656,988		\$ 23,545,559	
Total of Water & Sewer and Central Region	\$ 20,310,255		\$ 20,381,864		\$ 20,381,864	



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July 10th Policy Direction

- ❖ The Mayor and Commissioners directed the City Manager to reduce the Return on Investment charge to the Water/Sewer and Central Regional Wastewater Funds by 25 percent per year until the Return on Investment is eliminated (approximately \$5.1 Million per year).
- ❖ The Mayor and Commissioners set the maximum millage rate at 4.2648, an increase of 10 percent above the rolled-back rate in order to absorb the first year of decreased revenue from Return on Investment, if necessary.
 - Noted that they would prefer to adopt a tax rate lower than this but would need to know the resulting budgetary reductions that would be required.
 - The City Manager was directed to develop proposed budget cuts as an alternative to the increased millage rate. Budget reduction options will be presented to the City Commission on or before their first Budget Public Hearing on September 6, 2018.



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Millage Rate Impact Reducing ROI Options

Millage Rate Adjustment	Adjusted Millage Rate	Value of Mill Adjustment (96% Budget)	% Increase in Millage Rate over Rolled-Back Rate of 3.8739	% Return on Investment (ROI) Reduction Options
1.000	4.1193	\$ 35,017,145	6.33%	Value of 1 Mil
0.582	4.7014	\$ 20,381,864	21.36%	100% Water & Sewer/ Central Regional
0.437	4.5558	\$ 15,286,398	17.60%	75% Water & Sewer/ Central Regional
0.291	4.4103	\$ 10,190,932	13.85%	50% Water & Sewer/ Central Regional
0.146	4.2648	\$ 5,095,466	10.09%	25% Water & Sewer/ Central Regional



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Return on Investment Alternatives

- **New Revenues**



- **Reduce Expenditures**



Next Steps for Budget Advisory Board (BAB)

- ❖ Discuss Proposed Budget and any formal BAB recommendations
- ❖ August 15th Meeting prepare for joint meeting with the City Commission
- ❖ August 27th Joint Meeting with the City Commission to discuss the BAB recommendations

