

August 25, 2010 Budget Workshop

To: Mayor Roseann Minnet
 Vice Mayor Stuart Dodd
 Commissioner Birute Ann Clotney
 Commissioner Scot Sasser
 Commissioner Chris Vincent

From: Connie Hoffmann, Interim Town Manager *by [Signature]*

Subject: Updates on Budget Issues and Suggested Revisions to the FY 2010/2011
 Recommended Budget

INTRODUCTION

The following report is being submitted to let you know about developments that will affect next year's budget and to outline suggested changes to the FY 2010/2011 budget I submitted for your consideration in July. Once we have your direction on these changes, we will incorporate them into a revised budget document, which will be available for the first public hearing on September 13, 2010. I want to thank Doug Haag and Bud Bentley who contributed immensely to the preparation of this memo.

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| GENERAL FUND |
|---------------------|

REVENUES

There are several significant changes we propose to make to the General Fund revenues contained in the FY 2010/2011 Manager's Recommended Budget submitted in July.

These include:

1. The transfer of the fire assessment fees totaling \$1,009,251 to a new Fire Fund (115) where it will be accounted for separately for all fire protection services.

This is recommended as a way to insure that the Town accounts for fire assessment fees and their related expenditures properly. State law restricts the use of these funds and we feel the Town is better safeguarded from improper expenditure of the funds if they are in a separate fund. More information on the use of the fire assessment fees is provided in the Fire Fund section of this report.

2. The transfer of the General Fund parking revenues and expenditures to the Parking Fund (Fund 310).

I had indicated in the budget message that we intended to do this prior to adoption of the budget. This includes revenues from permits, meters and fines and will allow us to account for all parking revenues and expenditures in a single fund. This involves the transfer of \$283,095 in General Fund parking revenues and \$192,922 in expenditures to the Parking Fund. Since

General Fund parking revenues exceed parking expenditures by \$90,173, the transfer left the General Fund 173 out of balance and the solution is to increase the budgeted transfer from the Parking Fund to the General Fund by \$90,173.

3. We caught a posting error in the proposed budget where the communication services tax number was entered in error for the sales tax revenue. Both were estimated at approximately \$368,000 in the proposed budget. However, we project that sales tax revenues to be received from the State of Florida will be \$297,000, or \$71,000 less than projected.
4. Other changes proposed at this time include decreasing the FPL franchise fees by \$16,429 and increasing the waste franchise fees by \$6,760. These adjustments are based on an updated trend analysis and additional information.
5. Given the Commission's desire to reduce the millage rate below what I proposed, we can appropriate \$137,000 from the General fund balance to cover the cost of improving our technology systems- \$112,000 for IT infrastructure and \$25,000 to replace the phone system. (The latter item is new to the budget, but is something that several Commissioners have been requesting. The advantages of this new system are discussed later in this memo.) These are nonrecurring costs, so it is appropriate to use fund balance to pay for them.

The net result of these changes is a reduction in the total proposed General Fund revenues of \$1,145,842 from \$11,598,322 to \$ 10,452,480. The changes are summarized in the table below.

| TABLE 1 - SUMMARY OF GENERAL FUND REVENUES | | | |
|---|----------------------------------|--------------------------|--|
| FY 2010-11 Recomm. Budget | 8/25/2010 Proposed Adopted | Difference (+) or (-) | Department/Acct Description |
| \$11,598,322 | | | Original Recommended Total Fund Revenues |
| \$0 | \$137,000 | \$137,000 | Fund Balance Appropriation |
| \$1,009,251 | \$0 | (\$1,009,251) | Fire Assessment Fees - Trans. to Fire Fund |
| \$659,774 | \$643,345 | (\$16,429) | FPL Franchise Fees |
| \$57,000 | \$63,760 | \$6,760 | Waste Franchise Fees |
| \$368,000 | \$297,000 | (\$71,000) | Sales Tax |
| \$22,000 | \$0 | (\$22,000) | Parking Permits - (to Parking Fund) |
| \$14,500 | \$0 | (\$14,500) | Parking Meters - Beach (to Parking Fund) |
| \$120,000 | \$0 | (\$120,000) | Parking Meters - El Prado (to Parking Fund) |
| \$16,595 | \$0 | (\$16,595) | Parking Meters - Town Hall (to Parking Fund) |
| \$110,000 | \$0 | (\$110,000) | Parking Fines (to Parking Fund) |
| \$107,340 | \$197,513 | \$90,173 | Transfer from Parking Fund |
| | | (\$1,145,842) | Net Change |
| | | \$10,452,480 | Revised Total Fund Revenues |

EXPENDITURES

Issues of interest to the Commission are organized by department in the pages that follow.

DEPT 511.100 – DONATIONS

The following agencies have requested funding from the Town:

- Area Agency on Aging
- Women in Distress
- Kids Voting Broward
- Family Central
- Boy Scouts
- Broward Coalition for the Homeless

We understand that traditionally the agencies seeking funds are invited to attend the first budget hearing on September 13 at 7:00 PM in Jarvis Hall and present their request. We will invite them to attend, unless directed otherwise by the Commission.

DEPT 511.200 - CHAMBER OF COMMERCE

Commissioner Sasser will be reporting on our discussions with the Chamber regarding their request for funding in the amount of \$55,000 next year. Those funds remain in the proposed budget.

DEPT 513 – ADMINISTRATION

Based on the recent RFP and bid award for audit services, annual audit expenses have been reduced to \$29,960, which reflects the saving in contract price of \$17,000 and the allocation of \$2,040 of the audit cost to the Fire Fund.

We also propose to reduce personnel costs in this Department by approximately \$49,000 by eliminating the HR Manager position. The Finance Director will assume the risk management responsibilities formerly performed by the HR Manager. Payroll, benefits administration, personnel records keeping, and other administrative functions of human resources will be absorbed by existing staff members. The savings will be partially offset by salary adjustments to reflect those added responsibilities and \$12,000 added to the professional services budget of which \$10,000 is for HR consulting assistance and \$2,000 for a contract with the Florida League of Cities to implement their Simplicity program to assist with risk management monitoring.

DEPT 519.000 - GENERAL GOVERNMENT

1. We need to increase the postage budget by 5% (\$400) to reflect the postage increase that has been approved by the U.S. Postal Service. Effective January 2, 2011 the first class rate is increasing from 44 cents to 46 cents.
2. The Mayor proposed that we decrease the printing and binding costs associated with printing Town Tropics by \$5,000. To accomplish this, there are several options to consider:
 - Reducing the number of issues from 6 to 4 at a resulting savings of approximately \$6,390

- Continuing with 6 issues but reducing the number of pages to 8 results in a savings of \$2,600
- Eliminating the mailing of any issues and instead posting it on the web site and making it available at key locations in town (i.e. Publix and the two drugstores) would easily save \$5,000

Additional information on these options is Attached (Attachment 1).

We view this as a policy issue and need Commission direction on whether you wish to adopt any of the options outlined above.

3. We recommend allocating the \$20,000 in the proposed budget for improvements to the AC system in the public safety building between the police (41%), fire (34%), emergency medical (15%), and General Fund (10%) budgets, so \$6,800 of that cost will come out of the Fire Fund rather than the General Fund.
4. We propose to increase the capital outlay account by \$28,000 in this department, \$25,000 of which is for a new phone system and \$3,000 for improvements to our accounting software.

The telephone system will be replaced with a Voice Over Internet Protocol (VOIP) system. The current system is old, parts are becoming harder to find, and there is no direct dial to individual handset, voice mail capability, or capacity to add additional lines. The new system will address those deficiencies. As mentioned earlier, we suggest using the fund balance to cover the cost of the acquisition of the new phone system.

5. We propose to reduce the contingency account by \$115,000. We had increased it to cover possible shortfalls next year, but with the reductions in revenue projections we've suggested earlier and the Commission's desire to reduce the proposed millage rate, we need to cut this account now.
6. We need to increase routine IT service and equipment maintenance by \$15,000. The budget only includes the monthly support plan for services through Brazart and not any additional service requests. The additional \$15,000 and the \$12,000 support plan are now included in the Technology Expense account. The service and equipment maintenance account has been reduced to \$11,000. To accomplish this, the contingency account has been reduced by another \$15,000.

DEPT 521.000 - POLICE

The proposed police budget will increase by \$8,200 as a result of allocating 41% of the public safety building improvement project to it. That will have no net impact on the General fund.

DEPT 522.000 - FIRE

We suggest transferring the entire budget of \$1,008,916 to the new Fire Fund.

I have been discussing a reduction in the Fire operations budget with the VFD over the past month and this week they submitted a tentative budget totaling \$700,000 (excluding the monies to be set aside for the purchase/replacement of fire apparatus), a very significant reduction from their earlier request. I

just received this revised budget and have not yet met to discuss it with them. It does appear that the line item for apparatus repairs is under-budgeted. Call incentive pay is also down from the earlier submission, reflecting the Town's request that responses to medical calls be better controlled. And they no longer expect half of the fire inspection fees to go to the VFD. (Since the Town is already paying the VFD to do the inspections, it did not make sense to me that the VFD should keep half of the revenue and they concurred.) This revised budget has not yet been approved by the VFD membership and I would like to discuss it with them further to clarify a number of issues before we reflect any changes in the FY 2011/2012 budget.

We will need to amend the contract between the VFD and the Town to reflect this different approach to budgeting. The VFD membership will vote on the revised budget and a series of other contract changes at their meeting in September before our final budget hearing.

It should be noted that, although the VFD is cooperating in reducing their budget, this does not enable us to reduce the Town's millage rate as fire assessment fees cannot be used for other General fund operations. However, we will be able to reserve more money in the Fire fund for the eventual replacement of fire apparatus, and to set funds aside for other fire-related expenses that the Town may incur over the next several years.

Another issue I want to bring to the Commission's attention that has the potential to affect the General fund negatively is whether fire assessment fees can be used to fund emergency medical call response incentives and beach patrol incentives and costs. In the past, the Town's fire fees consultant suggested they can be used for the emergency calls because the VFD does not perform advanced life support services. However, they opined that the beach patrol incentives and costs should not be funded by fire fees. However, the VFD has made a counter argument and it appears the Town accepted the VFD's argument in constructing the current year's budget. We are communicating with the Town's fire fees consultant and will provide their input, as well as the VFD's arguments, to the Town Attorney for final direction on the matter.

We also want to seek the Town Attorney's advice on how the fire inspection fee revenues are affected by the use of fire assessment fees to fund inspection activities. (Currently, fire inspection fee revenues go the General fund.) We will come back to the Commission with a report on all of these matters before final adoption of the budget so that we can assure that the FY 2011/2012 budget is fully compliant with the statutes on the use of fire assessment fees.

One final note: it is acceptable from an accounting standpoint to begin allocating to the Fire Fund some of the costs incurred in the general fund for overseeing and administering the fire services contract, maintaining insurance on the buildings that houses the VFD and other indirect costs. We need to develop a methodology for that cost allocation, and will come back to you in the first quarter of the next fiscal year to amend the budget to reflect that.

DEPT 523 - EMERGENCY MEDICAL SERVICES

\$3,000, which is 15% of the cost of the public safety building AC project, will be moved to this budget. That will have no net impact on the General fund.

DEPT 524.000 – DEVELOPMENT SERVICES

The contractual services account for the cost of preparing meeting minutes can be reduced by \$1,500 to \$3,500. The Department has only one position that handles clerical and administrative work and also does all of the business tax license billing, collection and issuance. The Department has had responsibility for minutes for the Planning & Zoning Board, the Board of Adjustment and the Code Enforcement Magistrate meetings. When the Department recently assumed responsibility for the minutes of the Master Plan Steering Committee, we started to use an outside contractor and found it more cost-effective than doing the minutes in-house. Our plan is to have the outside contractor do some, but not all, of the Board minutes, which will allow the Department's Senior Office Specialist to concentrate on assisting the department director with higher level work.

DEPT 545.000 – PARKING SYSTEM

We suggest that the entire budget of \$192,922 has been transferred to the existing Parking System Fund.

DEPT 572.000 – RECREATION

We would like to add \$335 to the dues and subscription account for membership in state and national parks and recreation associations that will aid the Town in being eligible for certain recreation grant funds. Contractual services have been reduced by \$9,000, leaving a revised budget of \$1,000 for the performing arts program after discussions with Mr. Raguzza indicated that is all the funding he needs to present an abbreviated theatrical program and \$5,000 for other recreation programs. In light of the Commission's desire to lower the millage rate, we also recommend cutting the recreation programs account by \$12,500 to \$7,500. I also think it advisable that we allocate the \$12,000 in the special events budget that was unspecified to contract with someone to assist with special events management and administration.

| TABLE 2 - SUMMARY OF GENERAL FUND EXPENSES | | | |
|--|-----------|---------------|---|
| FY 2010-11 | 8/25/2010 | | |
| Recomm. | Proposed | Difference | |
| Budget | Adopted | (+) or (-) | Department/Acct Description |
| \$11,598,322 | | | Original Recommended Total Fund Expenses |
| | | | DEPT 513 – ADMINISTRATION |
| \$49,000 | \$29,960 | (\$19,040) | Audit Expense - Based on RFP |
| \$543,655 | \$506,155 | (\$37,500) | Regular Salaries - Elim. HR Mgr. position |
| \$40,741 | \$37,872 | (\$2,869) | Employer FICA Taxes - Elim. HR Mgr. position |
| \$68,268 | \$64,230 | (\$4,038) | Retirement - Elim. HR Mgr. position |
| \$68,469 | \$63,156 | (\$5,313) | Group Insurance - Elim. HR Mgr. position |
| \$30,000 | \$42,000 | \$12,000 | Prof Consultants - Increase due to Elim. of HR Mgr. |
| | | | DEPT 519.000 - GENERAL GOVT |
| \$8,000 | \$8,400 | \$400 | Postage - Rate increase |
| \$15,200 | \$10,200 | (\$5,000) | Printing and Binding - Town Tropics |
| \$23,000 | \$11,000 | (\$12,000) | IT Services and Equipment |
| \$29,000 | \$56,000 | \$27,000 | Technology Expense |
| \$275,000 | \$160,000 | (\$115,000) | Contingency |
| \$20,000 | \$2,000 | (\$18,000) | Capital Outlay - Building Improv - Transferred |
| | | | Capital Outlay - Equip & Machin - IT/Phone |
| \$80,000 | \$108,000 | \$28,000 | Infrastruc. |
| | | | DEPT 521.000 - POLICE |
| \$0 | \$8,200 | \$8,200 | Capital Outlay - Building Improv - Transferred In |
| | | | DEPT 522.000 - FIRE |
| \$1,008,916 | \$0 | (\$1,008,916) | Removed and added to Fire Fund |
| | | | DEPT 523.000 - EMERGENCY MEDICAL SERVICES |
| \$0 | \$3,000 | \$3,000 | Capital Outlay - Building Improv - Transferred In |
| | | | DEPT 524.000 – DEVELOP. SERVICES |
| \$5,000 | \$3,500 | (\$1,500) | Contractual Services - Minutes |
| | | | DEPT 545.000 – PARKING SYSTEM |
| \$192,922 | \$0 | (\$192,922) | Removed and added to Parking Fund |
| | | | DEPT 572.000 – RECREATION |
| \$0 | \$335 | \$335 | Dues and Suscriptions - Parks & Rec associations |
| \$15,000 | \$6,000 | (\$9,000) | Contractual Services |
| \$20,000 | \$7,500 | (\$12,500) | Recreational programs |
| | | (\$1,364,663) | Net Change |
| | | \$10,233,659 | Revised Total Fund Expenses |

The net effect of all these changes on the General Fund is to reduce expenditures by \$1,364,663. Unfortunately, most of the reductions in expenditures we made were offset by necessary reductions in the revenue projections. Still, we were able to accomplish our goal of achieving a net reduction in expenditures over revenues of \$218,821 (\$1,364,663 -\$1,145,842). This means that we could tentatively change the millage rate from 4.2199 to 4.0900 by reducing expenses by the \$218,821. This is a 3.08% decrease from the recommended budget's proposed millage. My preference at this time would be to hold off on formally lowering the millage until we resolve some of the open issues such as whether or not the general fund will have to be pay for certain fire department expenses and other line items that are still being evaluated.

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| SEWER FUND |
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As you know, the City of Pompano Beach increased rates for the customers they serve directly effective August 1, and will raise rates again in January. Pompano indicates the combined impact of the rate adjustments on a single-family home will be a 23% increase. They did not provide an estimate of the impact on multi-family residences. The immediate impact on the Sewer Fund is that the Sea Ranch condos sewer bills that the Town currently pays will go up and that drain on the Sewer Fund will worsen until we address that issue. (The issue of the Sea Ranch condos is addressed in detail in another agenda item.)

The Town's master sewer agreement rates with Pompano normally increase in January and the Pompano Utilities Director has told us they will be hiring a consultant to do the analysis to define our rate increase in October. Based on a review of our files, they usually inform us of the increase in the master agreement rates in mid-December.

I cannot give you a decent estimate of the expenditure increase we are facing without a detailed analysis as the rates are a function of water usage, meter sizes, and number of units in multi-family properties. As you know, the Town's sewer charges are insufficient to cover the costs Pompano currently charges us for transmission of our sewage to the County's treatment plant on Copans Road. We need to hire a consultant to do a rate analysis and recommend a schedule of increases in the rates the Town charges our sewer customers. The state statutes mandate that we notify our customers through the utility billing process to customers of the time, date and place the Commission will discuss the specifics of a rate hike. It will take five months to hire a consultant, have the consultant do the analysis, discuss rate increase options, provide the required notice to our customers, hold public hearings, and adopt an ordinance putting a rate hike into effect. We could have the consultant assume that Pompano will raise our master meter rates by approximately 23% in January and build that assumption into the analyses. I would appreciate the Commission's thoughts and direction on this matter before preparing an RFP for a rate study.

Town of Lauderdale-By-The-Sea
4501 Ocean Drive
Lauderdale-By-The-Sea, Florida 33308-3610

Memorandum

Date: Aug. 19, 2010
To: Doug Haag, Acting Finance Director
From: Steve d'Oliveira, Public Information Officer
Subject: Reducing Town Topics Costs

I looked at this year's Town Topics costs and estimated we could save money in a number of ways. In light of the times we are living in, it makes sense to do much more with e-mail, our Web site, Channel 78 and the Internet while being mindful that some of our residents do not own computers or use e-mail regularly.

It should also be noted that the Town will continue to promote events on Channel 78 and its Web site. The Web site will also be re-designed in FY2010-11, and it will include making the site more interactive by allowing residents with Internet access to sign-up for e-mail alerts and news (which will also promote our events). The Town might also want to consider creating a Town Facebook site where photos from Town events could be posted along with other community event info.

I also spoke briefly today with a rep from **webqa.net** about the web-based communications and customer service services it offers to cities. I would need to do some more research before determining if their services would be helpful. E-mail alerts are a very minor and basic aspect of the services webqa.net offers.

CodeRed may also provide the same platform to get e-mails from our residents.

I also expect this to be a feature included with the upcoming Web site redesign.

Here is a brief look at where some savings could be realized with Town Topics.

REDUCING ISSUES PUBLISHED

More than \$6,000 could be saved next year by reducing the number of issues published from 6 to 4.

ACTUAL 2009-10 COSTS (6 ISSUES)

| | |
|--|-----------------|
| PRINTING COSTS (THREE 8-PAGE ISSUES, TWO 12-PAGE ISSUES, ONE 16-PAGE ISSUE) | \$12,140 |
| MAIL PRE-SORT & LABELING | \$1,650 |
| MAILING | \$6,800 |
| TOTAL TOWN TOPICS COSTS | \$20,590 |

ESTIMATED 2010-11 COSTS (4 ISSUES)

| | |
|---|-----------------------|
| PRINTING COSTS FOR FOUR ISSUES (FOUR 12-PAGE ISSUES) | \$8,600 |
| PRE-SORT | \$1,100 |
| MAILING COSTS | \$4,500 |
| TOTAL ESTIMATE | \$14,200 |
| <u>ESTIMATED SAVINGS WITH ONLY FOUR ISSUES</u> | <u>\$6,390</u> |

Please Note: Dropping Town Topics to four times per year will place some very challenging deadline burdens on event organizers and some community groups.

These would be the four issues published:

- Oct/Nov/Dec**
- Jan/Feb/March**
- April/May/June**
- July/August/Sept**

For example, assuming the July/Aug/Sept Town Topics issue comes out in mid-June, it would require event organizers to provide details to us in late May. I am sure this can be done to some degree, but more than likely this will mean going to press with some stories that will simply not have complete event information.

This may also place a scheduling burden on the Town's Community Center, which may be required to submit three monthly events calendars to us in advance. We could also skip the third month and see if we can get by, since it's my understanding most program participants get their calendars at the center.

REDUCING NUMBER OF PAGES PER ISSUE

The Town could save **\$1,500** in printing costs by reducing the number of pages to 8 for four issues and 12 pages for two issues (we can't do it for all six issues, because of government requirements to print and distribute flood hazard information to residents). We need two 12-page issues because the Community Calendars take up two pages and the flood info takes up four. So with six out of the 8 pages already spoken for, there is little room for anything else in the issue.

We could, of course, **not** print the Community (Senior) Calendars. They are published on the Web site, the info is placed on Channel 78 and printed copies are available at the center. Armilio told me he distributes about 250 monthly calendars to the people who utilize the center. If we decided not to print those and went with six 8-page issues, we could save a total of **\$2,600**. No mailing or pre-sort costs are saved, by the way, for printing 8-page issues instead of 12.

ESTIMATED SAVINGS (FOUR 8-PAGE, TWO 12-PAGE) **\$1,500**

ESTIMATED SAVINGS WITH SIX 8-PAGE ISSUES **\$2,600**

REDUCING MAILING COSTS

The Town currently prints 4,500 Town Topics copies per issue. We mail 3,500 out to single-family homeowners and condo residents. About 900 copies are also bulk-dropped at the main beachfront condos with mailing rooms. The remaining 100 copies are distributed in Town Hall, Jarvis Hall and Development Services.

Our total mailing and pre-sort labeling costs for FY 2010-11 were **\$8,450**.

I estimate the Town could easily save \$5,000 or possibly more if we were to stop our blanket mailing to 3,500 residents and made Town Topics available for people to pick up at Publix and the Town's two drugstores. With the proper software or web service, we could ask residents to get their copies via e-mail or alert them when it was posted to our Web site. We would need to get this set-up in place beforehand. There will be complaints from residents who will still want it sent to them no matter what. I say fine. If you want it mailed, give us your address and we will mail it to you. By making people opt in to a new Town Topics mailing list, however, I suspect our annual postage costs will be greatly reduced.

We may also find we can print fewer copies for drop off at bulk distribution points.