



FROM THE DESK OF COMMISSIONER BRUCE G. ROBERTS January 2012

In our December Newsletter, we discussed the very positive current status of Fort Lauderdale's fiscal affairs. I would like to take this opportunity to expound on certain aspects of the budget, which further demonstrates our commitment to be fiscally sound without sacrificing vital City services.

PENSION REFORM: Using the same disciplined approach that has produced the results described in our December Newsletter, this City Commission confronted pension reform. Funding pensions have a direct effect on current budgets and a long-term impact on financial flexibility and sustainability. The City of Fort Lauderdale has already taken steps to reduce pension costs. The general employees pension plan is now a defined contribution 401(a) plan. We have reduced the City's contribution rate from 32.75% to 9% for new employees. As a result, it is projected to save \$100 million over the next 30 years.

The City Commission is also examining the implementation of additional innovative strategies to control pension costs, reduce the financial burden on taxpayers, and generate millions of dollars in added savings. One of those strategies involves the issuance of pension obligation bonds to manage costs. This idea would allow us to borrow funds at a low interest rate to pay off pension debt. These funds would then be invested in the pension plan to generate a higher rate of return. The difference between the interest rate on the borrowed money and the rate of return generated by the plan could result in a significant economic benefit to the City. For example, if the City wanted to pay off 75% of its current pension liability, we could issue pension obligation bonds to borrow approximately \$200 million at an estimated interest rate of 4.75%. These funds would then be invested in the pension plan, which is projected by the actuary to earn a 7.75% rate of return. The difference between the low interest rate on the loan (4.75%) and the plan's higher rate of return (7.75%) could generate up to \$6 million in pension costs savings in the first year alone; and over a 20-year period, the City could reduce its pension costs by more than \$60 million. In addition to eliminating a significant pension liability, the bonds would provide the City with a consistent, fixed amount to budget on an annual basis to cover the debt service on the borrowed money. I will keep you advised on the status of this particular strategy.

The City is also reducing pension costs by changing the timing of our annual required pension fund contribution. In the past, the City always made the payment in October; this has resulted in charging nine months of interest on the money owed at a rate of 7.75%. Several months ago, the Commission approved a plan to borrow the money at a low interest rate and make the payment in December. By doing so, we will pay off the loan in October at an interest rate of 1.62% on the borrowed money as opposed to paying a 7.75% interest rate on the money owed. The difference between the two interest rates means the City will save nearly \$1.5 million in Fiscal Year 2012.

In addition, it is important to note that our new police officers and fire/rescue staff will now contribute 8.5% of salary to the Police and Fire Pension Plan. Previously, employee contribution was 7%. You may recall that our Governor and Legislators were pleased just to have employees begin contributing 3% to the State Plan. Furthermore, the City plan is computed on base pay and does not include leave time and does not contain a COLA. In order to maximize the benefits of the Deferred Retirement Option Plan (DROP), employees must now work two more years; furthermore, the return on the DROP has been reduced from a guaranteed 7.75% to a range of 3% to 6%, which is based on the plan's performance.

These are just a few of the methods the City is employing as part of its overall plan to manage, control and reduce pension costs. We recognize the need for pension reform is great. As such, we have made, and will continue to make, meaningful changes to our retirement systems in order to ensure their long-term sustainability and provide financial relief to our taxpayers.

ECONOMY: The economic future for Fort Lauderdale is also bright. When it comes to tourism, Fort Lauderdale remains a top destination for domestic and international visitors. We have seen 25 consecutive months of increased tourism. We are on a pace to host more than 11 million visitors who will spend in excess of \$8 billion at our hotels, restaurants, stores and businesses. Hotel occupancy continues to hover near 75% for the year, which is the highest in the state and 27% higher than the national average. Cruise traffic at Port Everglades seems to constantly be creating and then breaking records for total passengers, and Fort Lauderdale-Hollywood International Airport expects to see a 7% overall increase in passenger traffic. When you consider that approximately 50% of the “bed tax” collected by the County is generated from Fort Lauderdale alone, the picture is even more focused on our great City.

Fort Lauderdale now ranks as the city with the lowest tourist taxes among the top 50 U.S. travel destinations. According to a recent analysis by the Global Business Travel Association, the typical visitor to Fort Lauderdale will pay up to 80% less in taxes than a tourist in Chicago, New York, Boston or Seattle. Hosting the nation’s lowest tourist taxes should continue to provide a significant competitive advantage for attracting visitors, corporate and business travelers, meetings, events and conventions. This Commission will continue its endeavors to support tourism related initiatives.

The housing sector is also showing signs of reviving. According to Realtor.com, Fort Lauderdale ranks 5th among the nation’s top 10 metro areas where housing conditions are on the upswing. Also, a recent article in the “Sun-Sentinel” reported that of Florida’s 19 metro areas, Broward was one of only two areas posting annual price increases for home sales. In 2011, the number of homes sold in Broward increased by 11% compared to sales in 2010. This marks the greatest number of sales since 2004. As an aside, my current campaign for re-election on March 13th has been endorsed by the Realtor Association of Greater Fort Lauderdale. While still too high, the jobless rate in Broward continues to decline and now stands at 8.6%. Fort Lauderdale/Broward County is leading the South Florida area in this recovery.

Pre-Agenda Meetings: A reminder that our meetings are always on the Monday before a Commission Meeting (unless that Monday is a holiday). The agenda is discussed, as well as any other topics that may arise. The first Monday of the month is at the Beach Community Center, and the third Monday of the month is at Imperial Point Hospital (south entrance) – always at 6p.m. Please call the office if you have any questions or need more information.

Office Contact: Robbi Uptegrove – 954-828-5033; email: ruptegrove@fortlauderdale.gov. In addition to hosting the pre-agenda meetings twice a month, I am also available to attend your HOA meetings to update your neighborhood on what is going on in the City as well as answer any questions/concerns you may have. Please contact Robbi to schedule. If you would like to be on our email list to receive information, notifications or general information, please email us and you will be added.

I encourage you to visit our website at <http://www.fortlauderdale.gov/roberts> to review previous newsletters. As always, I look forward to hearing from you and want to continue to serve you and our great community.