



CITY OF  
**FORT LAUDERDALE**

CITY AUDITOR'S OFFICE



# Review of the Proposed Budget for Fiscal Year 2023/2024

Report #22/23-5

August 22, 2023



## Memorandum

Memo No: 22/23-8

Date: 8/22/2023

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA  
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2023/2024

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The City Auditor's Office (CAO) has performed a review of the FY 2023/2024 Proposed Budget. The budget is compiled by the City Manager of the City of Fort Lauderdale, pursuant to section 4.09 of the City Charter. Our evaluation consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions. Also, the CAO has worked closely with the Budget Department for many years, attending all Budget Advisory Board (BAB) meetings as well as revenue estimating committees and any other budget related meetings. In addition, for the current year review of the budget, the CAO primarily focused on the line-item review of the accounts contained in the budget and did not perform an examination into other areas.

### **CONCLUSION**

The FY 2023/2024 Proposed Budget of the City of Fort Lauderdale is considered balanced as presented. All known and determinable revenues and expenditures are reasonable and materially correct. In addition, the priorities established in the Commission Annual Action Plan all show funding allocations in the coming year. Moreover, the proposed millage is in compliance with Florida Statutes.

The "Areas of Concern" section, noted below, currently represents areas the CAO deemed important enough to bring to the attention of the Commission. These concerns are related to on-going events and/or future events and may impact the budget and City resources going forward.

### **Objectives**

The primary focus of our review was to ensure that the budget is balanced, revenue and expenditure estimates are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes. We did not attempt to identify operational areas where additional cost savings might be achieved; however, the CAO was involved in meetings as they pertained to Enterprise Resource Planning (ERP), construction projects guaranteed maximum price (GMP's), public-private-partnerships (P3's), and other areas of interest by the CAO for budget review purposes.

## **Scope**

The CAO analyzed the City Manager's Proposed Budget for FY 2023/2024 as presented to the City Commission. The material reviewed included the Budget Message, Executive Summary, including supporting tables and schedules, as well as revenue and expenditure detail reports from the City's budget preparation system, SHERPA. The CAO further examined items of interest identified by the City Commission and Budget Advisory Board (BAB) and considered other issues that may impact the City and the City's obligations.

The CAO would like to recognize that the Office of Budget and Management (OMB) has continued its constructive dialogue with the Budget Advisory Board and Revenue Estimating Committee. Budget staff have maintained a robust approach to organizing and compiling budget information and supporting documentation.

As in the past several years, the CAO considered the review of the proposed budget to be a lower risk engagement due to the following criteria:

- The CAO budget review is performed every year.
- Enhancements continue to be made to the budget process and are incorporated as needed.
- Ongoing and frequent communication between Management, the Budget Advisory Board, the CAO, and the City Commission continue.
- OMB has had some turnover in the last year, but continuity of work product and quality of their work has remained consistent.
- No significant errors or misstatements were noted on previous reviews.

## **Methodology**

The CAO performed various analytical procedures, reviewed budget supporting documentation, and made inquiries of OMB, Finance Department, and individual department budget coordinators as needed. Additionally, the CAO compared the line-item detail based on audit criteria from the FY 2023/2024 Proposed Budget to the projections of actual expenditures through September 30, 2023, and the FY 2022/2023 Adopted and Amended Budget. Furthermore, the CAO analyzed trends and variances of the three prior fiscal years' budget vs. actual to gain a historical perspective.

As part of our audit work, we attended all the Revenue Estimating Committee meetings, relevant meetings as they related to the development of the new proposed budget, as well as the individual department budget presentations with the BAB. This participation provided further insight into potential future operating conditions and budget requests. By coordinating with staff during the preparation of the budget, rather than after its presentation to the City Commission, we were able to implement a continuous audit approach. This resulted in a deeper understanding of the departmental budget requests and service level enhancements.

This review was conducted in accordance with generally accepted government auditing standards. These standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objectives.

## Areas of Concern

The “Areas of Concern” are the items that do not impact our overall conclusion; however, they are important to consider for both the proposed budget and how it may impact the city in the next few years.

1. It is unclear whether the amounts budgeted for capital improvement projects (CIP) will be sufficient. There are unforeseen variables in construction and with the recent increase in inflation, which includes material and labor, and any unforeseen costs at development sites. In addition, there may be several potential unaccounted costs throughout the project’s lifespan, especially as the city embarks on new projects that are urgently needed. Hence, the CAO is unable to assess the accuracy of the amounts for CIP projects.

Some examples include, but are not limited to:

- a. Police Station – Work-In-Progress;
  - b. Water Treatment Plant and Associated City Enabling Work – Work-In-Progress;
  - c. Parks Improvements – Parks Bond – Work-In-Progress;
  - d. City Hall – Urgently Needed.
2. In December 2018, the city created a Post-Retirement Pay Steps Plan (PPS) for the Police and Firefighters. The PPS Plan Trust is a single employer defined benefit plan and administered by the City of Fort Lauderdale Commission as the Board of Trustees with a Trust Administrator. A review of the city’s Annual Comprehensive Financial Report identified a material accounting adjustment to the PPS Plan Trust. The net pension liability was increased to \$70.3 million due to a change in the discount rate used. This increase in liabilities has potential future budgetary impacts to the General Fund Balance.

cc: Greg Chavarria, City Manager  
D’Wayne Spence, Interim City Attorney  
David Soloman, City Clerk  
Susan Grant, Assistant City Manager  
Anthony Fajardo, Assistant City Manager  
Laura A. Reece, Director, Office of Management and Budget



**Memorandum No: 23-101**

**Date:** August 16, 2023

**To:** Honorable Mayor, Vice Mayor, and Commissioners

**From:** Greg Chavarria, City Manager

**Re:** Management Response - Review of the Proposed Budget for Fiscal Year 2023/2024

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This memo is in response to the City Auditor's Office (CAO) review of the FY 2024 Proposed Budget. We would like to thank the City Auditor and his team for the important work that they do to validate that the budget is balanced, and that the millage follows Florida Statutes. Management has reviewed the areas of concern identified by the City Auditor and has provided responses to the concerns identified below:

**Areas of Concern**

The "Areas of Concern" are the items that do not impact our overall conclusion; however, they are important to consider for both the proposed budget and how it may impact the city in the next few years.

1. It is unclear whether the amounts budgeted for capital improvement projects (CIP) will be sufficient. There are unforeseen variables in construction and with the recent increase in inflation, which includes material and labor, and any unforeseen costs at development sites. In addition, there may be several potential unaccounted costs throughout the project's lifespan, especially as the city embarks on new projects that are urgently needed. Hence, the CAO is unable to assess the accuracy of the amounts for CIP projects.

Some examples include, but are not limited to:

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- d. City Hall – Urgently Needed.

**Management Response:** Management concurs that inflationary considerations will disproportionately impact capital projects as there is a timing delay between the initial project approval and the completion of the procurement process. Project managers carefully reviewed all existing CIP budgetary requests as a part of the budget development process and adjusted budgets, as needed, for any known - or anticipated - inflationary factors. The updated cost estimates represent the best estimation management currently has, and these estimates costs have been included as part of the Proposed Community Investment Plan. This approach was shared in the Preliminary Budget Memo and the City Manager's Budget message.

Management concurs that in the coming fiscal year, additional cost increases and project modifications are likely, but we are not certain which projects may be impacted. The City maintains a healthy fund balance, which staff will rely on, as needed, to fund costs beyond those incorporated into our CIP based upon project managers' best professional estimates. It is imperative that fund balance is preserved at an optimal threshold to support inflationary costs for critically needed infrastructure capital projects.

2. In December 2019, the city created a Post-Retirement Pay Steps Plan (PPS) for the Police and Firefighters. The PPS Plan Trust is a single employer defined benefit plan and administered by the City of Fort Lauderdale Commission as the Board of Trustees with a Trust Administrator. A review of the city's Annual Comprehensive Financial Report identified a material accounting adjustment to the PPS Plan Trust. The net pension liability was increased to \$70.3 million due to an error in the discount rate used. This increase in liabilities has potential future budgetary impacts to the General Fund Balance.

Management Response: The Post-Retirement Pay Steps Plan (PPS) was designed as an Other Post Employment Benefit (OPEB) plan that was established in FY 2019. Prior actuarial reviews analyzed the PPS as an OPEB plan. The City's new outside auditor determined the PPS should be analyzed as a traditional pension plan and therefore required a depletion analysis, which was not required for the PPS plan. The City previously used the then prevailing discount rate of 7%; however, based on the results of the depletion analysis, a crossover rate of 2.91% was applied. This is because of the GASB 67/68 pension standards, that govern how we account for the plan assets. The increase in the net pension liability does not affect the General Fund budget, because the annual contribution amounts are not actuarially determined, but rather are calculated based on the City's savings resulting from the increased member contributions to the Police and Firefighters pension plan. Staff will review these findings in the context of the initial plan design to determine if any PPS modifications are necessary.

We will continue to support a comprehensive and transparent budget process in partnership with the City Auditor's Office and we look forward to the budget hearings scheduled for September 5<sup>th</sup> and 13<sup>th</sup>, 2023.

c: Patrick Reilly, City Auditor  
D'Wayne M. Spence, Interim City Attorney  
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