

City of Fort Lauderdale

FINANCIAL INTEGRITY PRINCIPLES

As stewards of public funds, the City of Fort Lauderdale must ensure the proper handling of finances, utilize best practices, and deliver high quality services by providing an overarching outlook to guide the City, thereby preserving the integrity of the organization and providing financial sustainability.

The financial integrity of the City of Fort Lauderdale is of utmost importance and adopting a set of principles is a key element to maintaining this integrity. The financial integrity principles outlined in this document set forth the basic framework for the overall fiscal management of the City. This document contains high-level principles that shall govern the City's financial management. Detailed policy direction is set forth in separate policy documents as described herein.

The financial integrity principles will be reviewed and updated as necessary, but will be comprehensively evaluated at least every five years. The City of Fort Lauderdale financial integrity principles and supporting policies are outlined below:

Principle I: Sound Budgeting Practices

Supporting Policies

- A. Revenue Estimating Conference Process
- B. Cost Recovery
- C. Grants/Reimbursement
- D. Inter-Fund Borrowing
- E. Proprietary Funds - Working Capital
- F. General Fund - Fund Balance
- G. Structurally Balanced Budget
- H. Budget Adjustment and Amendment
- I. Allocation of Overhead Cost

Principle II: Prudent Fiscal Management

Supporting Policies

- A. Revenue Collections
- B. Purchasing
- C. Fixed Assets
- D. Procurement Card (P-Card)
- E. Risk Management
- F. Cash Management
- G. Financial Oversight and Reporting

Principle III: Cost Effective Operations

Supporting Policies

- A. Performance Management
- B. Financial Transparency
- C. Business Continuity Preparedness
- D. Travel Policy
- E. Full Cost of Service

Principle IV: Long-term Financial Planning

Supporting Policies

- A. Investments
- B. Multi-year Community Investment Plan
- C. Multi-year Financial Forecast
- D. Debt Management
- E. Capital Maintenance, Renewal, and Replacement

These four financial integrity principles and supporting policies are described in more detail following:

I. Sound Budgeting Practices

The City of Fort Lauderdale shall be committed to maintaining a structurally balanced budget to support high quality service to our neighbors, consistent with the needs of the City.

- A. Revenue Estimating Conference Process.** The City shall prepare the annual budget and develop a long and short-term financial plan utilizing an estimating conference process. Conference principals shall include, but are not be limited to: one principal from the Budget Office, one principal from the Finance Department, one principal from the Budget Advisory Board, and one principal from the Audit Advisory Board.

- B. Cost Recovery.** The City shall adopt a policy that directs the level of subsidy for user fees. User fees will be set based on the determination of the level of community benefit for various services offered to neighbors, in accordance with Commission directives and priorities. As a general rule, user fee studies to determine cost recovery shall be conducted by an objective third party.

- C. Grants/Reimbursement.** The City shall adopt a policy for the centralized management of grants to ensure the efficient and effective use of resources recognizing that some programs are funded by grants from other entities. Some grants are awarded on a reimbursement basis; the responsible department shall apply for such reimbursements on a timely basis to minimize the period that City funds are used as float. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Report (CAFR) statements to the extent allowed under Generally Accepted Accounting Principles (GAAP).

- D. Interfund Borrowing.** The City shall not borrow or use internal fund transfers to obtain cash from one fund type or reserve to fund activities of another fund type or reserve unless such use is deemed lawful, and unless the estimating conference has determined that (a) the funds to be loaned will not be needed during the lending period, and (b) the funds for repayment will be available within a two-year period. Any actions taken to borrow funds under these conditions must be separately presented to and approved by the City Commission and the term of such borrowing shall not extend beyond the last day of the subsequent fiscal year. The loaning fund shall receive interest on the borrowed funds at a rate equal to the average earnings interest rate over the life of the loan from the borrowing fund.

- E. Proprietary Funds – Working Capital.** The City shall establish proprietary funds only if the costs to provide the service are substantially funded from the charges for the service. Each proprietary fund (excluding Executive Airport and Water and Sewer funds) shall maintain a minimum of 45 days of working capital reserve to provide continuing service during normal business interruptions such as a natural disaster. The Executive Airport Fund will follow the minimum thresholds as set forth by the Federal Aviation Administration (FAA). The Water and Sewer Utility Fund shall maintain a minimum of 90 days of working capital reserve to provide continuing services during normal business interruptions.

- F. General Fund – Fund Balance.** The City shall maintain a target level for the General Fund unrestricted fund balance at a minimum of 16.67% or approximately 2 months of budgeted operating expenditures (excluding pass through funds) and required transfers based on the originally adopted budget. This unrestricted fund balance may only be used for offsetting an unexpected mid-year revenue shortfall, for funding an emergency such as a natural disaster, which threatens the health, safety and welfare of the City's residents, businesses or visitors. At any time the fund balance falls below the threshold, the City Manager will develop a plan to replenish the funds from net revenue surpluses in subsequent fiscal years until the balance is restored to the minimum level. Amounts in excess of the adopted minimum threshold may be used for capital improvements, unanticipated expenditures necessary to comply with legal commitments, for expenditures that will result in the reduction of recurring costs or the increase in recurring revenues of the City, or for other unanticipated expenditures as approved by the City Commission.
- G. Structurally Balanced Budget.** The City shall maintain a structurally balanced budget. Under a structurally balanced budget, recurring revenues will fund recurring expenditures. Non-recurring revenues can be used to fund non-recurring expenditures such as one time purchases, capital outlay, capital projects, debt repayment, or contributions to offset the unfunded liability related to pensions or other post-employment benefits.
- H. Budget Transfers and Amendments.** The City shall establish budgetary guidelines and procedures for transferring funds within departments and for amending the budget. The City Commission adopts the annual budget in September of each year providing for appropriation centers which govern how budget transfers and amendments are to be administered. Any amendments to the budget must be approved by the City Commission in the same manner that the annual budget was adopted.
- I. Allocation of Overhead Costs.** The City shall develop procedures for completing and administering a full cost allocation methodology to allocate administrative overhead costs to enterprise funds, special revenue funds, and when allowable, grants.

II. Prudent Fiscal Management

The City of Fort Lauderdale shall commit to best practices in revenue collection, expenditure disbursements, asset maintenance, and record keeping for ensuring the optimal performance and integrity of public funds and resources.

- A. Revenue Collection.** The City shall adopt a revenue collection policy to ensure timeliness and provide for maximum collection of revenues and ongoing monitoring procedures to ensure accurate collections. When grants are awarded on a reimbursement basis, application for such reimbursements shall be completed in a timely manner to minimize the period that City funds are used as float.
- B. Purchasing.** The City shall maintain policies and procedures for purchasing services and goods, in accordance with Federal law, State law, and local ordinances, and provide appropriate checks and balances to ensure that City departments adhere to legislative and administrative policies. Rollovers for existing purchase order encumbrances will only be allowed when there is sufficient funding and the rollover will not negatively impact unassigned fund balance.
- C. Fixed Assets.** The City shall maintain a general fixed assets policy to provide guidelines and set responsibilities for the acquisition, depreciation, and disposal of assets. Capital assets are recorded at historical cost which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Assets will remain as part of the property record until they are retired or are disposed of, sold, or traded in regardless of the net book value amount. The criteria for capital assets for financial reporting purposes will be outlined in the policy and updated as required in accordance with generally accepted accounting principles.
- D. Procurement Card (P-Card).** The City shall maintain policies and procedures that dictate the use of P-Cards. P-cards will be issued, based upon job requirements, to regular full-time employees who frequently purchase goods for official business use. All requests for purchasing cards must be signed by the Department Director or designee. The purchasing card is to be used for City authorized purchases only.
- E. Risk Management.** The City shall adopt policies and procedures that ensure the protection of assets, continuity of services, a safe work and service environment, and that ensure the efficiency and effectiveness of risk management and risk financing activities. Given that the City is self-insured, a prudent level of financial reserves will be maintained based on actuarial studies.
- F. Cash Management.** The City shall adopt a cash management policy to maintain adequate levels of cash to meet operational requirements and to obtain the maximum yield on short-term investments of pooled, idle cash. Cash management is practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

G. Financial Oversight and Reporting. The City shall provide for the on-going generation and utilization of financial reports on all funds comparing budgeted revenue and expenditure information to actual on a monthly and year-to-date basis. The Budget/CIP and Grants Division and the Finance Department shall be responsible for compiling and issuing monthly financial reports and providing updates regarding year to date trends and conditions. Accounting and financial reporting ensures that financial transactions are properly recorded in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).

The annual external audit reports, including the Comprehensive Annual Financial Report (CAFR), single audit, and management letter of the City shall be prepared and presented in draft form to the Audit Advisory Board and the Mayor and City Commission by March 31st of each year. Financial reports, offering statements and other financial related documents shall be reviewed by the City Auditor's Office prior to issuance to the public and provide full and complete disclosure of all material financial matters.

III. Cost Effective Operations

The City of Fort Lauderdale shall be accountable to stakeholders through transparent and fiscally responsible decisions in order to deliver high quality services in the most efficient and effective manner possible.

- A. Performance Management.** The City shall utilize operational and targeted metrics to manage the performance of each department to ensure direct support of the strategic goals and objectives as defined in the Strategic Plan and the City's Vision Document. Performance measures should have sufficiently aggressive targets to ensure continuous improvement and the ability to objectively manage departmental performance.
- B. Financial Transparency.** The City of Fort Lauderdale shall be committed to increasing transparency and accountability to serve as a model of fiscal and operational efficiency, while meeting the needs of its flourishing population. Financial reporting should be completed in a timely manner to ensure relevancy, accuracy, accountability, and transparency.
- C. Business Continuity Preparedness.** The City shall develop plans and train staff on business continuity preparedness based on best practices to ensure that staff is ready to efficiently and effectively respond to natural disasters or other interruptions in city services. Business continuity involves keeping all essential aspects of a business functioning despite significant disruptive events. Employees assigned to the Emergency Operations Center (EOC) should be adequately trained in the areas of finance and administration emergency response and incident command.
- D. Travel Policy.** The City shall adopt and administer a fiscally responsible travel policy to ensure the efficient use of funds for employees traveling for business both locally and out of town. This policy governs training and conference travel.
- E. Full Cost of Service.** The City shall develop procedures for determining the full cost of service provision for each core service that the City provides. The City uses a cost recovery pyramid model to guide the setting of fees for each service category.

IV. Long-term Financial Planning

The City of Fort Lauderdale shall be dedicated to investing in the future and enhancing the quality of life through public-private partnerships, cooperative decision-making, community engagement and smart strategic investments, while using debt in a responsible manner and striving for the highest level of government bond ratings available.

- A. Investments.** The City shall adopt a policy to address the investment of public funds in excess of the amounts needed to meet current expenses. Such policy shall be in accordance with State law, include the Prudent Person Rule, and address safety, liquidity, risk and asset allocation issues. The City's investment policy is designed to safeguard the City's funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.
- B. Multi-Year Community Investment Plan (CIP).** The City shall develop a multi-year community investment plan for adoption with the annual budget. Operating departments shall be required to submit an independent needs assessment for use in preparing a five-year CIP. The CIP shall include costs for necessary infrastructure improvements to support City services, including information technology. The CIP shall be detailed for the current fiscal year and four subsequent years with a clear delineation of funded, partially funded, and unfunded projects. The City Commission shall adopt the five-year Community Investment Plan by September 30th of each year.
- C. Multi-Year Financial Forecast.** The City Commission shall adopt a multi-year financial forecast as part of the annual budget process no later than September 30th of each year. Such plan will include cost estimates of all current operations and pension obligations, anticipated increases in operations, debt service payments, reserves to maintain the City's officially adopted fund balance and working capital levels, as well as estimated recurring and non-recurring revenues.
- D. Debt Management.** The City shall adopt a debt management policy to address affordability, capacity, debt issuance and debt management. The policy will ensure sound restrictions that guide debt issuance practices, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. Debt management guidelines serve to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner.
- E. Capital Maintenance, Renewal, and Replacement.** The City shall periodically conduct studies to determine infrastructure needs throughout its boundaries (e.g., the condition of bridges, streets and sidewalks, canals, seawalls, facilities, and other infrastructure). The funding of renewal and replacement throughout the City should be based on plans developed through independent studies and assessments. Funds for capital maintenance, renewal and replacement should be identified and set aside as reserved by purpose.