



CITY OF  
FORT LAUDERDALE

9-18-12  
Budget - 6

City Auditor's Office

## Memorandum

Memorandum No: 11/12-22.2

Date: September 18, 2012

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA  
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2012/2013, updated

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The City Auditor's Office has performed a review of the City Manager's suggested changes to the FY 2012/2013 Proposed Budget presented at the September 5, 2012 City Commission meeting.

Our analysis consisted of staff inquiries, analytical procedures, review of documentation provided by management, and limited testing of the evidence provided to substantiate staff's assertions.

### Conclusion

**After the above referenced changes are incorporated, we believe that we have a budget that is balanced, that all known and determinable revenues and expenditures are reasonable and materially correct, and that the proposed millage is in compliance with Florida Statutes.**

### Concerns:

There are several contingent items listed below that are uncertain at this time, and are therefore not included in the budget. These items must be monitored throughout the year to ensure that they don't create budgetary stress.

### **Reserves**

As highlighted in the recent credit downgrade watch by Moodys, our continued reliance on reserves in the General Fund to balance our budget has reached the point at which any further reductions will take us below our reserve level policy. We also have concerns about the reduction in the fund balances of the Self-Insurance and Fleet Funds.

### **Fuel**

In addition, we looked at the prices in the Fleet Fund for gasoline and diesel fuel. The budgeted price for gasoline is 8 cents, or 2.2% above today's spot price. The budgeted price for diesel is 15 cents, 4.4% above the spot price. The likely outlook for both commodities is for prices to rise. Inventories are tight, demand is expanding, and the geopolitical climate in the Middle East is leading

to increased speculation. Accordingly, the amount included in the budget may not be sufficient to adequately fund fuel costs for the year.

### **CIP**

In order to balance the budget, a number of projects in the CIP have been canceled and the funding shifted back to the General Fund. As noted in prior years, the continued reduction in repair and maintenance of City facilities must be addressed at some point. Maintenance cannot be deferred indefinitely. The underinvestment today will negatively impact future budgets.

### **FEMA**

There is no funding in the budget for the FEMA reimbursement obligation, currently estimated at \$10M. If management is not able to establish a payment plan or negotiate a major reduction in the amount of this payback, the City's financial position will be impacted.

### **Five-Year Financial Forecast**

Management is required to present a five-year financial forecast in accordance with the ordinance adopted last year. Unfortunately, the charts provided in the budget document do not follow the requirements of the ordinance.

*(11) Along with the proposed budget submitted during the month of July each year, city manager shall submit a financial forecast based on recurring revenues and expenditures, projected five (5) years into the future. Proposed new revenues and expenditures will include optional variables. The forecast will include a discussion of underlying assumptions and methodology.*

Critical details regarding revenue and expenditure amounts, surplus or deficits, and the basis for the assumptions have been omitted. Accordingly, we cannot evaluate the long-term risks to the City's financial position.

We have asked management to provide the forecast in October.

cc: Lee R. Feldman, City Manager  
Harry Stewart, City Attorney  
Jonda Joseph, City Clerk  
Stanley Hawthorne, Assistant City Manager  
Susanne Torriente, Assistant City Manager  
Emilie Smith, Budget Manager