

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Review of the Proposed Budget for Fiscal Year 2013/2014
Report #12/13-04

September 3, 2013



Memorandum

Memorandum No: 12/13-08

Date: September 3, 2013

To: Honorable Mayor and Commissioners

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

Re: Review of the Proposed Budget for Fiscal Year 2013/2014

The City Auditor's Office (CAO) has performed a review of the FY 2013/2014 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. We further examined items of interest identified by the City Commission and Budget Advisory Board, and considered other issues that may have an impact on the City going forward.

The CAO would like to acknowledge the continuing improvements in the budget preparation process. Several significant enhancements were implemented this year, including an early staff training/kickoff, formation of a revenue estimating committee, use of an outside consultant to develop a dynamic forecasting model, and an increased number of budget workshops. All of these initiatives led to a budget that is more open, transparent, and reliable.

We also wish to commend the City Manager for presenting a budget that is structurally balanced for the first time in several years. Since FY 2010, the City has utilized reserves to allow it to weather the impact of the economic recession without raising taxes or cutting essential services. The City's robust level of reserves allowed it to draw down funds as needed in a prudent fashion, without having to go below the reserve policy threshold established by the Commission.

During the course of our review, we identified a number of items that required modification (see attached Exhibit A). All of these items have been rectified by management and are incorporated in the FY 2013/2014 Proposed Budget.

Conclusion

At this time, we believe that the proposed budget is structurally 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.

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.

Scope

We analyzed the City Manager's Proposed Budget for FY 2013/2014 as presented to the City Commission. The material reviewed included the Budget Message, Executive Summary including supporting tables and schedules, Financial Forecast, as well as revenue and expenditure detail reports from the City's budget preparation system (BPREP).

Methodology

We performed various analytical procedures, reviewed budget support worksheets and made inquiries of the Budget Office, Finance Department, and individual department budget coordinators. We compared the line item detail from the Proposed Budget to the projections of actual expenditures through 9/30/13. Furthermore, we analyzed trends and variances of the three prior fiscal years' budget vs. actual to gain a historical perspective to identify opportunities to improve the accuracy of revenue and expenditure estimates. In addition, we reviewed the revenue estimating committee documentation to understand and identify the methodology used for their estimates.

We would like to thank the Budget Office and all city personnel involved for their cooperation and assistance in completing the budget review.

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

CHANGES TO FY 2014 PROPOSED BUDGET - GENERAL FUND

Since Proposed Budget on July 9, 2013

FY 2014 Proposed Revenue		\$ 275,619,235	FY 2014 Proposed Expenditures		\$ 275,441,422
Revenues & Other Sources Adjusted Since Proposed Budget			Expenditures & Other Uses Adjusted Since Proposed Budget		
General Fund 001.01					
Add Revenue for Local Government Half-Cent Sales Tax	130,436		Add Funding for NCIP & BCIP Projects	433,600	
Revision by Florida Dept. of Revenue on July 2, 2013			Funding for Neighborhood and Business Community Investment Plan Projects		
Add Revenue for Ad Valorem	1,016,347		Add Funding for Capital Maintenance Plan	2,095,875	
Increase Ad Valorem Revenue to from 95% to 96% based on historical trends			To fund Citywide Maintenance, Repair, and Rehabilitation Projects		
Add Revenue for Fire Assessment	850,000		Add Funding to General CIP Projects	280,000	
Increase Fire Assessment Revenue due to revised exemptions and an increase to 97% based on historical trends			Increase funding for Community Investment Plan Projects		
Decrease Revenue for FPL Franchise Fees	(1,600,000)		Decrease Fleet Overhead	(79,941)	
Per Auditor Recommendation based on historical trends			Per Auditor Recommendation revise Fleet Overhead Allocations		
Increase Revenue for FPL Utility Tax	1,600,000		Decrease Fleet Overhead	(655,843)	
Per Auditor Recommendation based on historical trends			Per Auditor Recommendation move in-car camera program to Fleet Fund		
Add Revenue for Firefighters 175 Insurance Premium Tax	3,000,000		Decrease Fleet Overhead	(54,528)	
Per Auditor Recommendation for correct accounting purposes			Per Auditor Recommendation move in-car camera program for Parks & Recreation Beach Barrier to the Sanitation Fund		
Add Revenue for Police 185 Insurance Premium Tax	1,882,276		Add expense for Police & Fire Premium Insurance Tax	4,882,276	
Per Auditor Recommendation for correct accounting purposes			Per Auditor Recommendation for correct accounting purposes		
Reduction of GF Cost Allocation	(815)		Add Landscaping Service Contract	25,954	
Removal of General Fund Sunrise Key Allocation - Not included in their budget			Move landscaping Contract from Sanitation Fund for correct accounting purposes		
Decrease Revenue for Sanitation ROI	(1,215,073)		Decrease funding for vehicle expense	(25,000)	
Removal of Sanitation Return on Investment (ROI)			Per Auditor Recommendation fund vehicle purchases should be in the fleet fund		
Add Revenue for Private Collections	3,655,000		Personnel adjustments	146,501	
Add Private Collection (Franchise fees) from the Sanitation Fund			Per Auditor Recommendation salary adjustments to correct payroll projection		
Add Revenue for Gas Tax	213,199		Transfer out to Sanitation Fund	2,055,000	
Add revenue to allow for transfer to TMA			Transfer for fund stabilization		
			Transfer out to Misc. Federal/State County Grant Fund	213,199	
			Transfer for Transportation Management Association (TMA) for correct accounting purposes		
			Add expense for Police and Fire	387,200	
			Add funding for transitional costs related to E911 Dispatch moving to the county		
			Due To/From Self-Insured Health Benefits Fund	2,104,890	
			For fund stabilization		
TOTAL REVENUE ADJUSTMENTS	\$ 9,531,370		TOTAL EXPENDITURE ADJUSTMENTS	\$ 11,809,183	
<u>FY 2014 BUDGET AS OF September 3, 2013</u>					
FY 2014 TENTATIVE REVENUE	\$ 285,150,605		FY 2014 TENTATIVE EXPENSES	\$ 287,250,605	
			TOTAL SURPLUS GENERAL FUND	(2,100,000)	

CHANGES TO FY 2014 PROPOSED BUDGET - OTHER FUNDS

Since Proposed Budget on July 9, 2013

Revenues & Other Sources Adjusted Since Proposed Budget		Expenditures & Other Uses Adjusted Since Proposed Budget	
Law Enforcement Confiscated Property Fund 104.01			
		Add funding for General Employees Retirement System	16,084
		Police Confiscation	
		Per Auditor Recommendation Law Enforcement Confiscated Property Fund needs to fund pension for employee	
		Personnel adjustments	8,394
		Per Auditor Recommendation salary adjustments to correct payroll projection	
		Add expense for Police and Fire	200,000
		Add funding for transitional costs related to E911 Dispatch moving to the county	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	224,478
Central Beach Redevelopment Area Fund 106.01			
		Decrease funding for CRA Beach - Auto Liability	(396)
		CRA no longer has vehicles (sold at auction per fleet)	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	(396)
Northwest Progresso Flagler Heights Redevelopment Area Fund 106.02			
Decrease funding from Airport	108,381	Decrease funding for Personnel adjustment	(90,904)
Increase Fire Assessment Revenue due to revised exemptions and an increase to 97% based on historical trends		Adjustment to personnel complement	
REVENUE ADJUSTMENTS	108,381	EXPENDITURE ADJUSTMENTS	(90,904)
DEA Confiscated Property Fund 107.01			
		Add expense for Police and Fire	850,000
		Add funding for transitional costs related to the E911 Dispatch moving to the county	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	850,000
Sunrise Key Fund 112.01			
		Decrease funding for Other Services	(4,500)
		Reduction of Other Services per district request	
		Decrease funding for General Fund Overhead	(815)
		Remove General Fund Allocation funding	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	(5,315)
Building Permits Fund 140.01			
		Decrease funding for Fleet Overhead	(6,042)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Increase funding for overtime	50,000
		To assist with peak workloads	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	43,958
Sanitation Fund 409.01			
Decrease Revenue for Private Collections	(3,655,000)	Add funding for Carcass Removal	100,000
Move Franchise fees to the General Fund		Animal carcass removal from city properties beginning October 1st - unfunded mandate from Broward County	
Transfer in from General Fund	2,055,000	Decrease funding for Solid Waste	(50,000)
Add revenue for correct accounting purposes		Reduce funding in FY 2014 due to a change in the current contract	
		Decrease funding for two turf maintenance contracts	(65,901)
		Move Landscape contract for ditches, railroad rows; vacant lots, and Palm Aire Canal to Stormwater Fund and the General Fund	
		Decrease funding for lot clearing	(11,993)
		Remove lot clearing expense	
		Decrease funding for Fleet Overhead	(47,254)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	54,429
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead expense to capital costs	
		Increase funding for two Recycling/Sanitation vehicles	420,000
		Add funding in FY 2014 two replacement Recycling/Sanitation	
		Personnel adjustments	219,134
		Adjustment to personnel complement	
		Decrease funding for Return on Investment	(1,215,073)
		Remove funding to the General Fund for Return on Investment	
REVENUE ADJUSTMENTS	(1,600,000)	EXPENDITURE ADJUSTMENTS	(596,658)

CHANGES TO FY 2014 PROPOSED BUDGET - OTHER FUNDS

Since Proposed Budget on July 9, 2013

Revenues & Other Sources Adjusted Since Proposed Budget		Expenditures & Other Uses Adjusted Since Proposed Budget	
Water & Sewer Fund 450.01			
		Remove Bond Costs Amortization	(384,854)
		Per Auditor Recommendation to correct accounting purposes - GASB 65 only insurance costs apply.	
		Add funding for Office Space	4,557
		Increased office space for Sustainability Team	
		Decrease funding for Fleet Overhead	(111,470)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	113,589
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
		Personnel adjustments	(115,929)
		Adjustment to personnel complement	
Revenue Adjustments	-	EXPENDITURE ADJUSTMENTS	(494,107)
Central Regional Fund 451.01			
		Remove Bond Costs Amortization	(56,000)
		Per Auditor Recommendation to correct accounting purposes - GASB 65 only insurance costs apply.	
		Decrease funding for Fleet Overhead	(16,105)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	6,215
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	(65,890)
Parking Fund 461.01			
Add Transfer in for Administrative Aide reimbursement	34,922	Add funding for Administrative Aide Budget Modification	52,383
Budget Modification reimbursement from Airport and TMA		Add funding for Administrative Aide split between Parking, Airport, and the TMA	
		Decrease funding for Fleet Overhead	(10,133)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	20,329
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
REVENUE ADJUSTMENTS	34,922	EXPENDITURE ADJUSTMENTS	62,579
Airport Fund 468.01			
Add Revenue for Parcel Leases	72,143	Add funding for Administrative Aide Budget Modification	17,461
Per Auditor Recommendation		Administrative Aide share between Parking, Airport, and the TMA	
Decrease Miscellaneous Revenues	(25,000)	Decrease funding for Fleet Overhead	(2,448)
Per Auditor Recommendation		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	4,518
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
REVENUE ADJUSTMENTS	47,143	EXPENDITURE ADJUSTMENTS	19,531
Stormwater Fund 470.01			
		Add funding for Disposal Tip Fees	24,045
		Move the contract for Melrose Ditch from Sanitation	
		Decrease funding for Fleet Overhead	(44,080)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	11,068
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
		Decrease funding for CIP Projects	(1,700,000)
		Remove funding for	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	(1,708,967)

CHANGES TO FY 2014 PROPOSED BUDGET - OTHER FUNDS

Since Proposed Budget on July 9, 2013

Revenues & Other Sources Adjusted Since Proposed Budget		Expenditures & Other Uses Adjusted Since Proposed Budget	
City Insurance Fund 543.01			
		Add funding for Fleet Overhead	314
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	753
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	1,067
Self-Insured Health Benefits Fund 545			
Due To/From General Fund	2,104,890		
For fund stabilization			
REVENUE ADJUSTMENTS	2,104,890	EXPENDITURE ADJUSTMENTS	-
Central Services Fund 581.01			
		Decrease funding for Fleet Overhead	(654)
		Per Auditor Recommendation revise Fleet Overhead Allocations	
		Add funding for other equipment expense	3,813
		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
		Personnel adjustments	9,038
		Per Auditor Recommendation salary adjustments to correct payroll projection	
		Personnel adjustments	118,432
		Adjustment to personnel complement	
REVENUE ADJUSTMENTS	-	EXPENDITURE ADJUSTMENTS	130,629
Vehicle Fund 583.01			
Decrease Revenue for Fleet Overhead Vehicle FD583.01	(29,441)	Add funding for Box Truck for Parks & Recreation Vehicle	25,000
Per Auditor Recommendation revise Fleet Overhead Allocations		Per Auditor Recommendation governmental fund vehicle purchases should be in the Vehicle Fund	
Decrease Revenue for Fleet Overhead Vehicle FD583.01	(1,000,000)	Add funding for other equipment expense	(321,455)
Per Auditor Recommendation remove in-car camera Driver Enhancement Program from overhead		Per Auditor Recommendation move in-car camera Driver Enhancement Program from overhead to capital costs	
		Personnel adjustments	(103,205)
		Adjustment to personnel complement	
REVENUE ADJUSTMENTS	(1,029,441)	EXPENDITURE ADJUSTMENTS	(399,660)
Arts & Science Fund 643.01			
Decrease Revenue	(416)	Decrease funding for Fleet Overhead	(416)
Adjustment for reduction in Fleet Overhead		Per Auditor Recommendation revise Fleet Overhead Allocations	
REVENUE ADJUSTMENTS	(416)	EXPENDITURE ADJUSTMENTS	(416)
TOTAL REVENUE ADJUSTMENTS	(334,521)	TOTAL EXPENDITURE ADJUSTMENTS	(2,030,071)