CITY OF
FORT LAUDERDALE
CITY AUDITOR'S OFFICE

Memorandum

Memo No: 25/26-6

Date: August 18, 2026

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2026/2027

The City Auditor's Office (CAO) has performed a review of the FY 2026/2027 Proposed Budget. The budget is compiled by the City Manager, 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.

CONCLUSION

As per the line-item review of the budget for FY 2026/2027, the CAO concludes that the proposed budget of the primary government represents a balanced budget as presented.

In addition, the priorities established in the City Commission Priorities all show funding allocations in the coming year and the proposed millage is in compliance with Florida Statutes.

The "Areas of Concern" section, noted below, which is not all inclusive, but currently represents areas the CAO deemed important enough to be brought to the attention of the Commission. These concerns are related to on-going 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 not overestimated or underestimated, respectively, 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 forecasting revenues and expenses.

Scope

We analyzed the City Manager's Proposed Budget for FY 2026/2027 as presented to the City Commission. The documents reviewed included the Budget Message, Executive Summary including supporting tables and schedules, as well as revenue and expenditure detail reports from the City's software system. 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 Budget office has continued its constructive dialogue with the BAB and that Revenue Estimating Committee discussions were had, in which all departments had an opportunity to discuss their respective budgets and potential changes for the upcoming year.

As in the past several years, the CAO currently considers the review of the Budget, and the Budget Department's work compiling the Budget, to be a low-risk engagement due to the following criteria; however, concerns do remain as noted below in "Areas of Concern":

- The CAO budget review is performed every year.
- Communication between Management, the BAB, the CAO, and the City Commission are ongoing and frequent throughout the year.
- The Budget Office has had continuity of senior staff within the department.
- No material errors were noted in previous reviews.

Methodology

The CAO performed various analytical procedures, reviewed budget support worksheets and made inquiries of the Budget Office as needed. Additionally, the CAO compared the line-item detail from the Proposed Budget to the projections of expenditures through 9/30/26. Furthermore, the CAO 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.

Finally, as part of our review, the CAO attended all Budget meetings, and any relevant meetings as they related to the development of the new Budget. 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, the CAO continues to implement a continuous audit approach. This results in a deeper understanding of the departmental budget requests and service level enhancements.

Areas of Concern

Overtime

- The CAO continues to note a significant amount of City funds allocated to overtime. Based on current operating practices, actual overtime expenditure consistently exceeds the amounts included in the proposed budget. Citywide overtime totaled approximately $19.4 million in FY 2025, excluding the associated 7.65% FICA cost, (EFICA). Based on actual expenditures through June 18, 2026, the CAO projects FY 2026 overtime expenditures of approximately $21.3 million, EFICA. However, the FY 2027 Proposed Budget includes only $19.8 million for overtime, EFICA, which is approximately $1.5 million below the FY 2026 projected amount and approximately $4.4 million below the CAO's FY 2027 projection of $24.2 million, EFICA.

- Police Department overtime remains the primary contributor to the projected budget shortfall. Police overtime totaled approximately $12.7 million in FY 2025, EFICA, and is projected to reach approximately $13.0 million in FY 2026, EFICA. However, the FY 2027 Proposed Budget includes approximately $11.6 million, EFICA or $3.1 million below the CAO's FY 2027 projection of $14.7 million, EFICA.

- Under current operating practices, the total FY 2027 overtime cost, including the associated 7.65% FICA cost, is projected to be approximately $26.0 million. Accordingly, the overtime amounts included in the FY 2027 Proposed Budget do not appear to reflect anticipated expenditures and may require continued reliance on salary savings from funded vacancies or other available appropriations to cover overtime costs. Based on historical trends, these overtime amounts will most likely remain underfunded under current operating practices.

- See **Exhibit 1**, Police Department Overtime Overview.

- See **Exhibit 2**, Overtime Expenses by Department, which includes actual expenditures from FY 2020 through FY 2025, the Office of Management and Budget's FY 2026 actual expenditures through June 18, 2026, EFICA, and the CAO's projected FY 2026 year-end estimate, and projected FY 2027 overtime with and without the associated 7.65% FICA cost.

Capital Improvement Plan (CIP)

- Regarding all construction projects in the CIP, it should be noted that the delay in starting projects and in completing projects will also have an impact on the cost of materials and labor as the City proceeds with current and new projects. The potential increase is difficult to quantify; however, it should be strongly considered as a high likelihood of occurring. Hence, if current projects are delayed or there is a delay in new projects starting, this could potentially have a significant impact on City resources. Moreover, excessive change orders have exacerbated the time to complete projects as well as the overall cost. Some examples include, but are not limited to:

  - Water Treatment Plant, and associated projects.
  - Police Department Headquarters.
  - Parks Bond Projects.

Reserves/General Fund Unrestricted Fund Balance

- The reserve balance for a municipality, as per the Government Finance Officers Association (GFOA) is approximately 16.7% of operating revenues or expenditures. As per the GFOA, "GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances." The City has decided to have a reserve balance of 25% of expenditures.

- During the review of the budget, for FY 2026/2027, the CAO was able to confirm, from the Budget Office, the current reserve balance for the City or the monetary difference is in excess of the 25% established reserve balance threshold by 2%.

- As per the Annual Comprehensive Financial Report (ACFR), "The City continues to exceed its policy to maintain the unrestricted fund balance for the General Fund equivalent to two (2) months of operating expenditures and required transfers." During FY 2026 the General Fund unrestricted balance decreased from $171 million to $136.2 million. At 27%, this amount exceeds the minimum unrestricted requirement for the General Fund by $9.7 million. This would have allowed for $9.7 million to be allocated toward other various opportunities including, but not limited to:

  - Paying down debt.
  - Reestablish paying the employee health insurance premium cost, which is approximately $5.5M annually.
  - Paying down or paying off the COLA increase of the General Employees' Retirement System (GERS) pension plan, which was spread over seven years.
  - Allocating it to a new Fire Station.
  - Paying for Police overtime, which is underfunded by $1.9M in the current year.
  - Having funds available for grant matching opportunities.

Union Negotiations

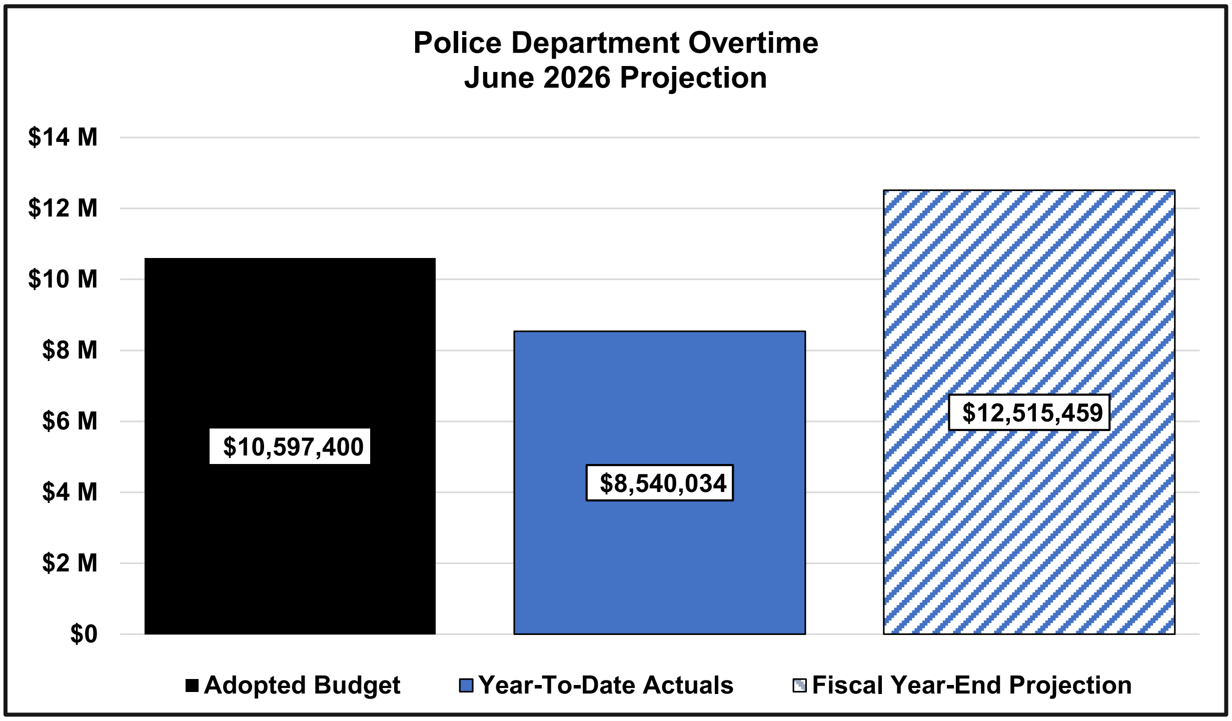
- As union negotiations are currently underway or pending, a concentrated review of the Collective Bargaining Agreements (CBA) should be performed to better negotiate the obligations of the City. This will have a significant impact on the budget for years to come and realigning City obligations is critical with the services provided by the Police and Fire Departments. At the time of this memo, the CAO's understanding is that Police are still in negotiations and Fire have tentatively agreed to a one-year contract.

cc: Christopher Cooper, Acting City Manager
Shari McCartney, City Attorney
David Soloman, City Clerk
Ben Rogers, Assistant City Manager
Quentin Pough, Assistant City Manager
Yvette Matthews, Assistant City Manager
Laura Reece, Director, Office of Management and Budget

Police Department Monthly Overtime Report
June 2026 Projection

This report aims to facilitate discussions with the City Manager and Police Chief regarding monthly overtime spending trends and provide the data needed to develop strategies to mitigate further overtime issues throughout the fiscal year. This report reviews the overtime budget, year-to-date actuals, monthly expenditures, sworn vacancy rate, and year-end projections to address operational changes that may be required to mitigate the projected over-expenditure of overtime.

OVERTIME OVERVIEW



Police Department overtime is projected to be $1.9M over budget

Police Department Overtime Projection Analysis			
	March 2026 Q2 Projection	June 2026 Projection	Variance
Projection	$12,036,370	$12,515,459	$479,089

The Year-End projection for Fiscal Year 2026 has increased by $479 thousand since the release of the Second Quarter Overtime Report in April 2026. This is due to:

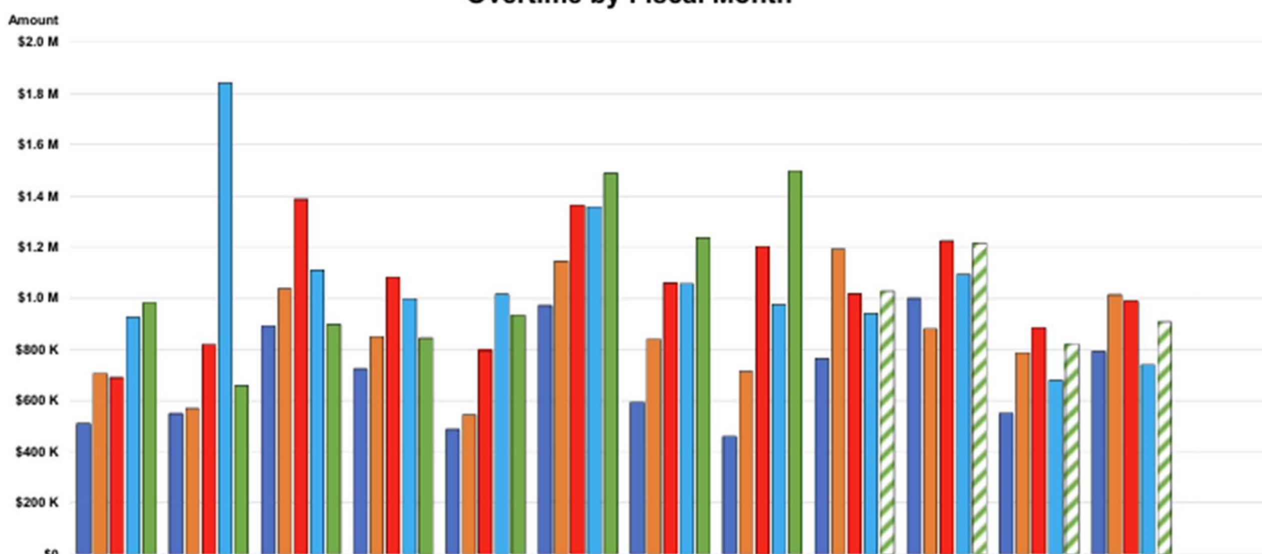
- In the Q2 report, April 2026 expenditures were projected at $1,111,544 – aligned with the previous two-fiscal year actuals – however, the April 2026 actuals were $1,238,130, an 11.4% increase from what was expected.
- Likewise, May 2026 expenditures were projected at $1,144,439 – aligned with the previous two-fiscal year actuals – however, the May 2026 actuals were $1,496,942, a 30.8% increase from what was expected.

Police Department Overtime Expense Trends

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Projection	Historical Average
Police	$8,306,692	$10,292,554	$12,519,995	$12,744,360	$12,515,459	$10,965,900

MONTHLY BREAKDOWN

Police Department Overtime by Fiscal Month



	October	November	December	January	February	March	April	May	June	July	August	September	Annual Total
2022	509,450	550,759	893,797	725,422	487,151	972,576	595,122	459,579	766,394	1,000,468	552,572	793,401	8,306,692
2023	707,420	571,013	1,037,515	852,002	544,953	1,146,675	841,271	715,301	1,192,087	881,335	788,359	1,014,624	10,292,554
2024	691,175	820,100	1,387,292	1,082,446	796,880	1,363,549	1,060,195	1,202,958	1,016,259	1,224,845	884,913	989,382	12,519,995
2025	926,423	1,841,429	1,111,534	999,507	1,016,575	1,358,095	1,057,031	976,926	942,211	1,093,206	680,316	741,106	12,744,360
2026	979,782	658,896	898,315	845,467	934,794	1,487,708	1,238,130	1,496,942	1,028,197	1,216,977	821,745	908,506	12,515,459

EXHIBIT 2

Overtime Expenses By Department

Department Name Merged	Fund	FY 2020 Actuals (by OMB)	FY 2021 Actuals (by OMB)	FY 2022 Actuals (by OMB)	FY 2023 Actuals (by OMB)	FY 2024 Actuals (by OMB)	FY 2025 Actuals (by OMB)	FY 2026 Actuals (as of 6/18/2026 by OMB)	FY2026 (09/30/2026 Projected Total Cost of OT by CAO (excluding 7.65% FICA)	FY2026 (09/30/2026 Projected Total Cost of OT by CAO (including 7.65% FICA)	FY 2027 Projected (by OMB)	FY2027 Projected OT by CAO (excluding 7.65% FICA)	FY2027 Projected Total Cost of OT by CAO (including 7.65% FICA)
City Attorney's Office	001	-	-	-	-	32	8	-	-	-	2,200	-	-
City Clerk's Office	001	1,927	2,542	4,613	3,598	3,721	2,696	5,195	7,293	7,851	4,500	8,255	8,887
City Manager's Office	001	792	170	511	6,397	654	15	-	-	-	1,500	-	-
Development Services Department	001	80,976	104,037	124,948	95,965	99,653	69,001	110,101	154,565	166,389	102,700	174,957	188,341
Development Services Department	001	-	-	-	-	-	41,765	21,589	30,307	32,625	4,200	34,305	36,930
Finance Department	001	1,205	4,331	1,520	4,494	12,272	5,949	3,519	4,941	5,319	-	5,593	6,020
Fire Rescue Department	001	1,863,410	4,512,553	3,731,611	3,274,921	1,729,419	2,115,241	2,275,590	3,194,579	3,438,964	3,733,600	3,616,036	3,892,663
Human Resources Department	001	7,809	3,355	6,321	5,379	17,748	8,295	3,913	5,493	5,913	19,100	6,218	6,694
Office of Strategic Communications	001	-	-	-	-	-	72	-	-	-	-	-	-
Office of the Mayor and City Commission	001	-	163	-	-	1,645	-	-	-	-	-	-	-
Parks and Recreation Department	001	158,203	189,735	301,297	713,651	514,090	504,859	398,783	559,830	602,657	449,970	633,688	682,165
Police Department	001	7,918,022	7,634,843	8,306,710	10,292,553	12,519,995	12,744,360	9,235,347	12,965,006	13,956,829	11,626,745	14,675,467	15,798,140
Public Works Department	001	118,351	180,599	257,505	344,391	131,159	92,427	120,618	169,330	182,283	299,200	191,669	206,332
Transportation and Mobility Department	001	228	-	30	1,145	335	-	20	28	30	-	32	34
Police Department	104	-	-	-	-	-	-	224	315	339	-	356	384
Development Services Department	108	106	-	-	-	-	-	-	-	-	-	-	-
Community Services Department	108	-	-	-	413	-	284	78	109	117	-	124	133
Parks and Recreation Department	111	-	-	-	-	-	-	4,553	6,392	6,881	11,600	7,236	7,789
Development Services Department	140	780,236	783,693	751,145	670,634	783,279	907,776	665,775	934,645	1,006,146	520,900	1,057,952	1,138,885
Parks and Recreation Department	409	64,432	105,153	125,983	165,318	161,307	-	-	-	-	-	-	-
Public Works Department	409	563	571	372	6,367	2,720	164,341	124,949	175,409	188,828	183,177	198,550	213,739
Parks and Recreation Department	430	17,573	31,319	94,885	156,110	187,497	206,952	162,382	227,960	245,398	3,000	258,034	277,774
Finance Department	450	1,719	2,889	11,248	10,633	29,963	18,190	26,098	36,638	39,441	7,600	41,472	44,644
Public Works Department	450	2,362,318	2,123,204	1,995,224	1,887,708	2,051,881	23,465	24,479	34,365	36,994	102,200	38,899	41,875
Utility Services Department	450						1,807,156	1,444,106	2,027,302	2,182,391	1,908,225	2,294,762	2,470,311
Utility Services Department	451	149,484	250,946	177,436	137,432	162,500	152,987	178,536	250,637	269,810	182,100	283,703	305,406
Transportation and Mobility Department	461	46,659	40,654	76,350	90,954	102,318	197,929	139,597	195,972	210,964	203,200	221,827	238,796
City Manager's Office	468	28,532	25,531	18,402	24,022	30,492	42,420	18,296	25,685	27,650	29,900	29,073	31,298
Public Works Department	470	290,506	305,586	173,066	324,480	255,572	186,035	193,949	272,275	293,104	263,200	308,196	331,773
Public Works Department	530	44,212	30,729	11,520	3,690	9,048	13,166	12,195	17,120	18,429	16,600	19,378	20,861
Human Resources Department	543	336	304	199	17	83	974	-	-	-	-	-	-
Human Resources Department	545	33,690	30,778	632	303	3,719	8,647	7,458	10,470	11,271	15,900	11,852	12,758
Information Technology Services Department	581	17,725	15,041	12,237	21,297	3,202	3,163	2,972	4,173	4,492	21,600	4,723	5,084
Community Services Department	582	-	-	-	-	-	76,135	23,272	32,670	35,169	53,100	36,980	39,809
Parks and Recreation Department	582	-	-	-	-	90,354	-	-	-	-	-	-	-
Public Works Department	583	177	-	64	9	-		-	-	-	-	-	-
Transportation and Mobility Department	643	921	8	1,584	1,256	248	6,092	3,028	4,250	4,575	-	4,811	5,179
		13,990,112	**16,378,734**	**16,185,413**	**18,243,137**	**18,904,906**	**19,400,400**	**15,206,622**	**21,347,759**	**22,980,859**	**19,766,017**	**24,164,148**	**26,012,704**

Source: Data Received from OMB, except CAO estimates/projections in red columns.
Auditor's Note: The CAO estimate of Overtime (OT), with current operating practices, as of 9/30/2026, will exceed $21.3 million and is projected to be approximately $24.2 million in FY2027, excluding FICA.
The total OT cost for FY2027, including FICA, is estimated to be approximately $26.0 million.
Auditor Note: OMB's overtime actual expenditures for FY 2020 through FY 2026 and projected overtime for FY 2027 exclude FICA.