



Memorandum

Memorandum No: 25-143

TO: Honorable Mayor and Members of the Fort Lauderdale City Commission

FROM: Rickelle Williams, City Manager *RW*

DATE: August 13, 2025

SUBJECT: **Management Response - Review of the Proposed Budget for Fiscal Year 2025/2026**

This memorandum has been prepared in response to the City Auditor's Office (CAO) review of the Fiscal Year (FY) 2026 Proposed Budget. On behalf of staff, I would like to thank the City Auditor and his team for the important work they do to validate that the budget is balanced and that the City's millage rate follows Florida Statutes. Management has reviewed the areas of concern identified by the City Auditor and has provided responses to the concerns below:

Areas of Concern

Per the City Auditor's Memorandum (attached), the "Areas of Concern" section represents areas that the CAO deemed worthy of bringing to the attention of the Commission. These concerns are related to on-going events and may impact the budget and City resources going forward.

1. Information Technology (IT) and Enterprise Resource Planning (ERP)

As the City continues to move from ERP implementation to ERP optimization, the cost of ad-hoc optimization services and the staffing adjustments required to fully operationalize the system have become part of the City's regular operating budget. Budgeting for these items within the implementing departments ensures that resources remain dedicated to the identified needs, and it allows the departments to efficiently manage the contracts.

Management concurs that there have been additional costs outside of the original ERP budget. As issues or opportunities for improvement are identified, management creates a strategic roadmap for how to address them, including training staff to become more proficient with the system.

2. Overtime

Management, in conjunction with the Police and Fire Rescue Departments, have historically monitored overtime on a quarterly basis. These reviews assess year-to-date actuals, four-year historic trends, current fiscal year projections, vacancies, and key overtime drivers - such as staffing shortages, special events, and top overtime-earning employees. This targeted approach has been effective with the Fire Rescue Department, which is projected to end fiscal year 2025 within its overtime budget,

primarily due to strategic efforts to fill vacancies and the deployments of the additional positions that were added over the past three (3) years, including through the SAFER Grant.

During the 3rd Quarter of FY 2025, to address the continued increases in overtime within the Police Department, Management has begun hosting monthly meetings with the Office of Management and Budget (OMB) and Police Department Command Staff to assess the root causes of overtime and to collaboratively develop, implement and evaluate mitigation strategies. In FY 2026, the City will continue to prioritize filling vacancies through enhanced recruitment strategies such as referral bonuses and advertising campaigns. As of June 2025, sworn vacancies have dropped to seven (7) from 33 in both June 2023 and June 2024, which is a testament to the department's focus on recruitment. The filing of these budgeted positions, as well as independent deployment of newly hired officers in the next fiscal year, will help reduce overtime costs tied to staffing shortages. For reference, it takes a newly hired, non-sworn officer approximately 12 months to be independently deployed, whereas a newly hired sworn officer typically requires about six (6) months.

Furthermore, in response to evolving global security concerns and increasing complexity of special events, the Police Department has strategically updated its staffing models and operational protocols. These enhancements are designed to ensure the safety and well-being of both residents and visitors during high-profile gatherings and Citywide celebrations. To effectively implement these changes, the FY 2026 Proposed Budget includes a recommendation for an additional \$1.9 million for overtime funding. This enhanced allocation will support the department's expanded presence and rapid response capabilities during special events. By investing in these proactive measures, the City strengthens its commitment to public safety, operational readiness, and community trust.

3. Community Investment Plan (CIP)

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 inflationary factors. The updated cost estimates represent the best estimation that the City currently has, and these estimated costs have been included as part of the Proposed Community Investment Plan. For example, Emergency Medical Substation #88 will receive an additional \$5.1 million in funding to support increased costs associated with the project – this ensures that the project is funded adequately to meet the cost estimates of today. The City proactively, and intentionally, maintains a healthy fund balance in the General Fund, which staff will continue to rely upon, as needed, to fund costs beyond the appropriations incorporated in the CIP.

The FY 2026 Proposed Budget also includes the proposed creation of a Capital Projects Department to focus on the engineering, design, and construction of major infrastructure projects within the City, initially including Parks Bond and

Transportation-related projects. The goal of the department is to fundamentally change how we deliver large-scale projects. The department will primarily focus on improving the City's internal project management function and reducing the time from initial funding to construction to decrease the inflationary impact resulting from delays.

4. Reserves/General Fund Unrestricted Fund Balance

The targeted fund balance reserve of 25% is a strategic approach to assure bondholders, as well as potential investors, that the City exercises sound financial decision making and is committed to long-term financial stability in the face of uncertainty. In FY 2025, appropriations from fund balance totaling \$14.9 million were made to address unanticipated needs such as emergency seawall repairs, grant acceptances requiring a City match, and inflationary increases for capital projects.

In October 2025, staff will present a budget amendment outlining the recommended uses of the initial Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) settlement funds and General Fund Balance in excess of the City's 25% target. These recommendations will focus on strategically utilizing these one-time resources to advance key capital improvement projects that will have lasting benefits for the community. The primary goals will be to early fund projects planned for FY 2027 as well as to advance key projects that are currently unfunded. This approach will mitigate projected revenue shortages in future years in the City's revenue sufficiency analysis.

5. Union Negotiations

Management concurs with the audit concern and recognizes the importance of proactively engaging with the International Association of Fire Fighters (IAFF) and Federation of Police (FOP) bargaining groups in anticipation of the expiration of their collective bargaining agreements on September 30, 2026. Consistent with the approach recently taken with the Teamsters and Federation bargaining groups, staff will initiate early planning and scheduling of negotiation sessions to ensure timely execution of successor agreements prior to the expiration of the current contracts. Management appreciates the suggestion by the auditor to modify the agreement terms to encourage timely completion of bargaining.

6. Unexplained Budget Balances – FIFA World Cup Community Celebrations

The Tentative Budget recommends reallocating funding for the FIFA World Cup Community Celebration intended to be hosted in Fort Lauderdale to support one-time homelessness initiatives to advance the City Commission Priority for Homelessness Response.

City staff will continue to support a comprehensive and transparent budget process, and we look forward to the budget hearings scheduled for September 3, 2025 and September 12, 2025.

c: D'Wayne M. Spence, Interim City Attorney
David R. Soloman, City Clerk
Patrick Reilly, City Auditor
City Manager's Office
Department Directors