CITY OF
FORT LAUDERDALE

LETTER TO THE COMMISSION

LTC No: 26-234

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

FROM: Christopher Cooper, Acting City Manager

DATE: August 12, 2026

SUBJECT: **Management Response – City Auditor's Review of the Proposed Budget for Fiscal Year 2026/2027**

The purpose of this Letter to the Commission (LTC) is to provide management's response to the City Auditor's Office (CAO) review of the Fiscal Year (FY) 2027 Proposed Budget. Management would like to thank the City Auditor and the audit team for their thorough and professional review of the budget and for their active engagement throughout the budget process. We also appreciate their detailed review of budget materials to verify that the proposed budget is balanced and that the City's millage rate complies with Florida Statutes. Management has evaluated the areas of concern identified by the City Auditor and has provided responses to the concerns identified below:

Areas of Concern

According to the City Auditor's memo, the "Areas of Concern" section outlined below is not exhaustive, but it highlights the issues the CAO considers significant enough to bring to the City Commission's attention. Concerns relate to evolving conditions and current initiatives that may affect the budget and City resources moving forward. A management response is provided below for each area of concern identified.

1. **Overtime**
   The City Manager's Office, the Office of Management and Budget, and Public Safety Departments (Police and Fire Rescue) meet regularly throughout the year to review overtime expenditures and develop strategies to manage and reduce overtime where possible. Management recognizes that overtime continues to be a concern, and we are actively working with our public safety teams to ensure we balance the City's commitment to public safety with our responsibility to be fiscally prudent.

   Due to successful mitigation efforts within the Fire Rescue Department, the FY 2027 budget includes a planned reduction of $350,000 in overtime. Both the Fire Chief and Police Chief, along with their leadership teams, remain strongly supportive of measures that promote responsible staffing and financial stewardship.

   While overtime is unavoidable—such as overtime driven by unexpected resignations or retirements, FMLA leave, or unplanned community events requiring an increased public safety presence—management remain focused on monitoring these trends and adjusting strategies as needed to maintain both public safety and fiscal responsibility.

2. **Capital Improvement Plan**
Management agrees and acknowledges that inflation and evolving market conditions disproportionately affect capital projects due to the timing gap between initial cost estimates, scope development, and completion of the procurement process. To address this dynamic environment, the Capital Projects Department was established a year ago to provide dedicated focus on the engineering, design, and construction of major infrastructure projects throughout the City.

To strengthen oversight, the management team prepares a comprehensive report and meets quarterly to review all active Capital Improvement Projects, with particular attention to projects requiring elevated management support, those that are behind schedule, and those exceeding budget. This process is intended to ensure that the necessary resources and guidance are in place to support the successful completion of every project.

The FY 2027 Proposed Capital Improvement Plan includes $5 million to specifically address funding shortages in Parks Bond Projects, along with targeted appropriations for specific Parks Bond initiatives with known budget gaps.

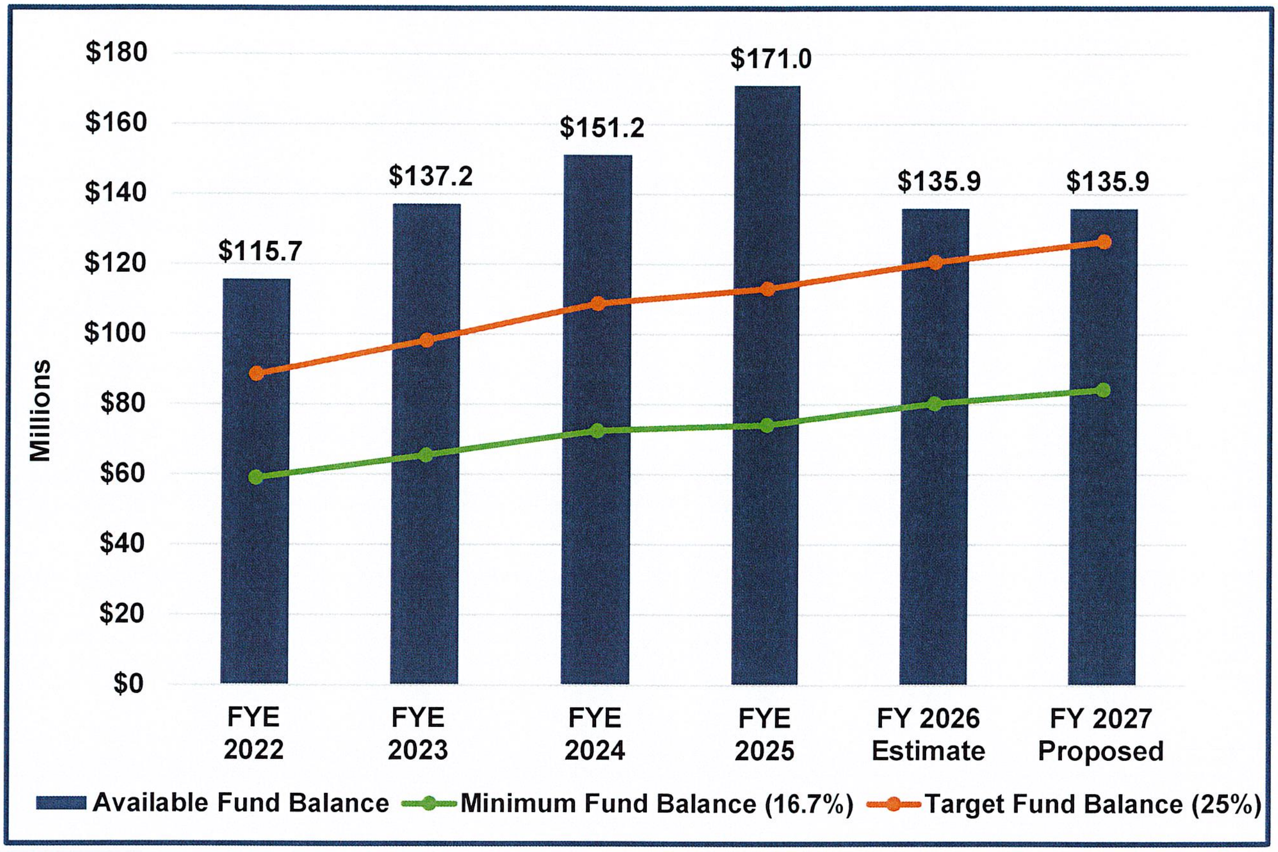
3. **Reserves/General Fund Unrestricted Balance**
General Fund – fund balance is addressed in the City Manager's Message in the FY 2027 Proposed Budget and is summarized below for reference.

The fund balance in the General Fund provides a measure of the financial resources available for future spending or appropriation. These funds should be adequate to support potential unanticipated costs, such as emergency repairs, and to support unanticipated opportunities, such as leveraging General Fund dollars to meet grant match requirements. Credit rating agencies such as Standard and Poor's (S&P) and Moody's Investors Service have noted the City's reserves as an indicator of the fiscal health for our City thus allowing the City to experience savings in interest costs.

The City Commission's fund balance policy, which was adopted in January 2026, requires a minimum available fund balance for the General Fund of two (2) months, or 16.7% of the General Fund Budget, including necessary transfers. To put the City in a favorable position to issue bonds and address unplanned events, the fund balance policy sets a target General Fund Balance of three (3) months of operating expenses, or 25% of the General Fund Budget, including necessary transfers. Since the policy is a percentage of the budget, as the budget increases, the required level of fund balance also increases.

The FY 2027 estimated fund balance exceeds the targeted fund balance by $9.36 million, with a total available fund balance of $135.9 million, or 26.85% of the General Fund operating budget, as shown in the chart on the following page. This amount represents a preliminary estimate and is subject to change as the City completes the FY 2026 year-end closeout. In the coming months, staff will present strategic recommendations for allocating the amount above the target, including opportunities to advance capital investment needs. This approach may assist with mitigating projected revenue shortages in future years.

General Fund - Fund Balance



Further, City staff will continue to monitor and assess the fund balance to ensure that the level of available funds is commensurate with the level of risk associated with our diverse City and the variability in our revenue and expenditure sources.

4. **Union Negotiations**
   Management and Public Safety unions began collective bargaining early in the calendar year to proactively work toward new agreements ahead of the expiration of the prior contracts. Tentative agreements have been reached with the International Association of Fire Fighters (IAFF) and are scheduled to be presented to the City Commission at the regularly scheduled meeting on August 18, 2026. Negotiations with the Fraternal Order of Police (FOP) remain ongoing.

Management will continue to support a comprehensive and transparent budget process in partnership with the City Auditor's Office, and we look forward to the budget hearings scheduled for September 9, 2026, and September 14, 2026.

c: Yvette W. Matthews, Assistant City Manager
Ben Rogers, Assistant City Manager
Quentin Pough, Assistant City Manager
Laura Reece, Director of Office of Management and Budget