



CITY OF
FORT LAUDERDALE

CITY AUDITOR'S OFFICE



Review of the Proposed Budget for Fiscal Year 2025/2026

Report #24/25-6

August 19, 2025



Memorandum

Memo No: 24/25-11

Date: 8/19/2025

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA, *PR*
City Auditor

Re: Review of the Proposed Budget for Fiscal Year 2025/2026

The City Auditor's Office (CAO) has performed a review of the FY 2025/2026 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.

CONCLUSION

As per the line-item review of the budget for the current year, the CAO concludes that the proposed budget of the primary government represents a balanced budget as presented.

In addition, the priorities established in the Commission Annual Action Plan (CAAP) 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 2025/2026 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 on 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 actual expenditures through 9/30/25. 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:

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

- Upgrades and updates are a normal part of Information Technology Operations (IT), and even though ERP funding seems appropriately budgeted, the CAO believes this is still an area of concern as there are associated costs to enhancing other software

applications that work in conjunction with the ERP system so they can all work concurrently. These upgrades/enhancements are not budgeted within ERP, but instead are in other various budgeted areas, therefore not providing the consolidated true cost of ERP implementation.

- The City's ERP system (Infor) remains a significant concern due to escalating costs, incomplete functionality, and delayed implementation of key components. Key issues include, but are not limited to:
 - **CloudSuite Managed Services** (initial two-year contract of \$535,000 with annual renewal options of one year renewal for up to two years costing \$200,000 per year, totaling \$935,000) - intended to address knowledge gaps, assist with customizations, and improve analytics and reporting
 - **Pre-Production Tenant** (a testing environment to review changes and impacts before regular updates, especially Infor's semi-annual upgrades) - although Phase 1 of the ERP was implemented in 2022, this critical component is only being added now; it costs \$75,000 annually and contributes to a \$557,054.79 contract increase for subscription fees through 2032
 - **Licensing fees** (calculated per individual rather than by number of licenses) - projected to exceed \$600,000 by 2027
 - **Lack of system integration** (many approvals and workflows continue to be processed outside the ERP)
 - **Unimplemented features** (including succession planning and training)
- The combination of rising costs, delayed implementation of critical components, and operational inefficiencies indicates that Infor, in its current state, does not adequately meet the City's needs and poses a growing financial and operational risk.
- Moreover, continued issues with the payroll module remain, including, but not limited to, vacation and sick time tracking and accrual accuracy, specifically for the Fire Department.

Overtime

- The CAO notes a significant amount of City funds consistently being allocated to overtime. In our review, overtime is consistently understated when compared to actual overtime incurred. In an attempt to fill the gap in overtime, what seems to be happening is that budgeted vacancies, which are funded, unfilled positions, and are cumulative over all departments, are being used to pay for the increases in overtime. The overtime budgeted numbers should more accurately reflect what is needed. As an example, the Police Department overtime was underfunded approximately \$5,400,000 in FY2025. Additionally, the Police Department is being provided with approximately \$2,000,000 in additional overtime for FY2026, which

based on historical trends will most likely still be underfunded with current operational practices.

- See **Exhibit 1**, Police Department Overtime Overview
- See **Exhibit 2**, Overtime Expenses by Department, includes the actual expenditures from 2018 through 2024, the Budget Offices' 2025 Actuals through 8/7/25, the CAO's Projected 2025 Year End estimate and Projected Total Overtime with and without FICA for 2026.

Community Investment 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, change orders have plagued projects for years and are exacerbating the time to complete a project as well as the overall cost. Some examples include, but are not limited to:
 - Police Station Head Quarters
 - Water Treatment Plant and Associated City Enabling Work
 - Advanced Metering Infrastructure (AMI)
 - Parks Bond Projects
 - Las Olas Parking Garage Lights

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. The city has decided to have a reserve balance of 25% of 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 current understanding of the CAO, at the time of this memo, is that there is approximately \$14M over the 25% threshold for reserves, for the current year. These funds could be allocated toward other various opportunities including, but not limited to:
 - Paying down debt.
 - Paying down 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 \$5.4M in the current year.
- Etc.

Union Negotiations

- As union negotiations are pending with Police and Fire, a concentrated review of the Collective Bargaining Agreement's (CBA) should be performed to better negotiate the obligations of the city. Examples include, but are not limited to:
 - Regardless of the group or department, if a delayed negotiation results past the start date of the new CBA, then the retroactive pay should not be paid or possibly extended to only 90 days to foster more proactive discussions and conclusions, rather than paying a retroactive amount for years in backpay once negotiations are complete.

Unexplained Budget Balances

- There remains to be funding for the 2026 FIFA World Cup, where games will be played in Miami, in the amount of \$350,000. As of the CAO's final meeting with Budget, it was mentioned, but still undetermined, that these funds will be allocated to Homeless initiatives and projects in 2026.

cc: Rickelle Williams, City Manager
D'Wayne Spence, Interim City Attorney
David Soloman, City Clerk
Ben Rogers, Assistant City Manager
Chris Cooper, Assistant City Manager
Yvette W. Matthews, Acting Assistant City Manager
Laura Reece, Director, Office of Management and Budget

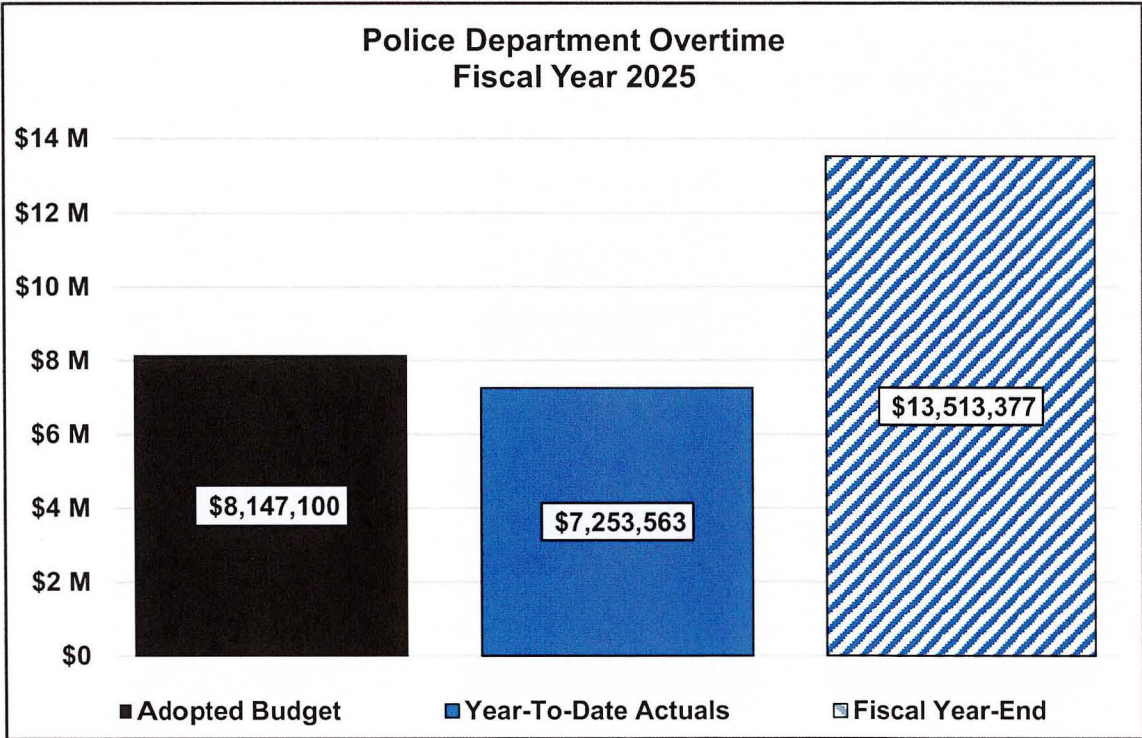
Second Quarter Overtime Report

Police Department Overview

The Office of Management and Budget (OMB) is pleased to share the Fiscal Year (FY) 2025 Second Quarter Police Department Overtime Report. This report aims to facilitate discussions with the City Manager and Police Chief regarding overtime spending trends and provide the data needed to develop strategies to mitigate further overtime issues throughout the fiscal year. This report also communicates the top public safety overtime earners and the primary drivers of overtime to address operational changes that may be required to mitigate the projected over expenditure of overtime.

This report reviews the overtime budget, year-to-date actuals, historic trends, current fiscal year projections, vacancies, and monthly overtime drivers – such as staffing shortages, special events, and top earning employees. Although departments coordinate with OMB staff to review the data, **the financial data in this report is unaudited.**

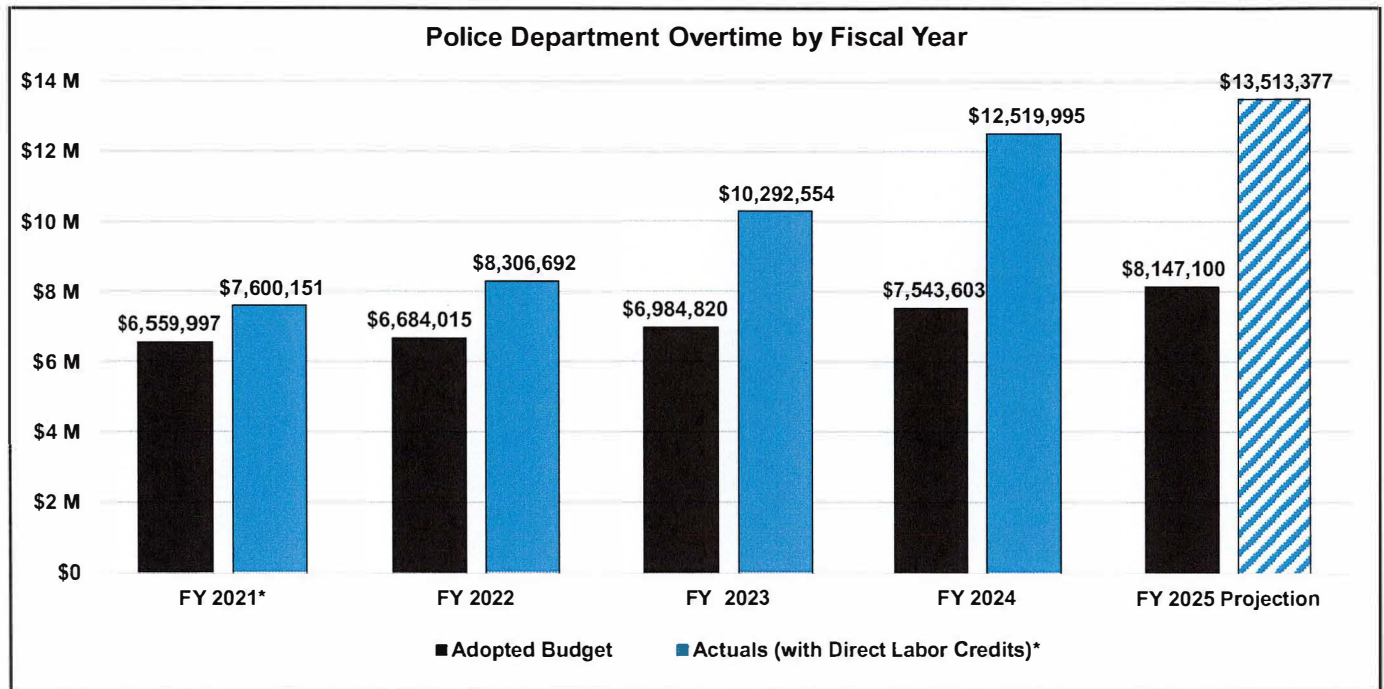
Fiscal Year Overtime Overview



Police
Department overtime is projected to be \$5.4M over budget

Police Department Overtime Overview

Police Department Overtime					
	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025 Projection
Adopted Budget	\$ 6,559,997	\$ 6,684,015	\$ 6,984,820	\$ 7,543,603	\$ 8,147,100
Actuals (with Direct Labor Credits)*	\$ 7,600,151	\$ 8,306,692	\$ 10,292,554	\$ 12,519,995	\$ 13,513,377
Budget vs. Actuals	\$ (1,040,154)	\$ (1,622,677)	\$ (3,307,734)	\$ (4,976,392)	\$ (5,366,277)
Percent of Budget (%)	116%	124%	147%	166%	166%



*FY 2021 overtime actuals are exclusive of \$34,678 in direct labor credits associated with Federal COVID-19 relief funding because the direct labor credits do not have a monthly breakout.

Police Department – Operational Vacancy Analysis*						
	Oct	Nov	Dec	Jan	Feb	Mar
Vacancies	27	27	27	30	27	26
Vacancy Rate	4.8%	4.8%	4.8%	5.2%	4.8%	4.7%

*Positions include Police Officer, Sergeant, Lieutenant, and Captain as well as one (1) new Sergeant position added in FY 2025 that began the fiscal year unfilled.

Overtime Expenses By Department

Department Name Merged	Fund	FY 2018 Actuals (by OMB)	FY 2019 Actuals (by OMB)	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 (as of 8/7/2025 by OMB)	FY2025 (09/30/2025 Projected Total Cost of OT by CAO (including 7.65% FICA)	FY 2026 Projected (by OMB)	FY2026 Projected OT by CAO (excluding 7.65% FICA)	FY2026 Projected Total Cost of OT by CAO (including 7.65% FICA)
City Attorney's Office	001	8	43	-	-	-	-	32	8	10	2,100	11	12
City Clerk's Office	001	2,986	2,294	1,927	2,542	4,613	3,598	3,721	2,091	2,601	4,200	2,734	2,944
City Manager's Office	001	11,725	11,279	792	170	511	6,397	654	87	108	1,400	113	122
Development Services Department	001	120,200	159,302	80,976	104,037	124,948	95,965	99,653	108,940	135,516	34,600	142,494	153,395
Finance Department	001	9,205	4,686	1,205	4,331	1,520	4,494	12,272	5,272	6,559	-	6,896	7,424
Fire Rescue Department	001	1,398,977	2,382,925	1,863,410	4,512,553	3,731,611	3,274,921	1,729,419	1,781,360	2,215,932	3,807,100	2,330,030	2,508,278
Human Resources Department	001	3,524	13,064	7,809	3,355	6,321	5,379	17,748	7,554	9,397	17,900	9,881	10,637
Office of the Mayor and City Commission	001	223	-	-	163	-	-	1,645	-	-	-	-	-
Parks and Recreation Department	001	233,810	264,643	158,203	189,735	301,297	713,651	514,090	425,969	529,887	357,000	557,171	599,794
Police Department	001	6,966,065	7,855,648	7,918,022	7,634,843	8,306,710	10,292,553	12,519,995	11,322,937	14,085,230	10,597,400	14,810,479	15,943,481
Public Works Department	001	39,455	139,415	118,351	180,599	257,505	344,391	131,159	78,462	97,603	280,900	102,628	110,479
Transportation and Mobility Department	001	2,626	1,125	228	-	30	1,145	335	-	-	-	-	-
Development Services Department	108	-	57	106	-	-	413	-	284	353	-	371	400
Parks and Recreation Department	111	-	-	-	-	-	-	-	-	-	10,900	-	-
Development Services Department	140	624,192	803,324	780,236	783,693	751,145	670,634	783,279	749,950	932,905	800	980,940	1,055,982
Parks and Recreation Department	409	185,538	119,295	64,432	105,153	125,983	165,318	161,307	145,121	180,525	109,600	189,820	204,341
Public Works Department	409	1,028	1,125	563	571	372	6,367	2,720	2,068	2,573	3,700	2,705	2,912
Parks and Recreation Department	430	-	14,278	17,573	31,319	94,885	156,110	187,497	177,955	221,368	2,800	232,766	250,573
Finance Department	450	7,749	3,840	1,719	2,889	11,248	10,633	29,963	14,426	17,945	7,100	18,869	20,313
Public Works Department	450	2,494,793	2,006,273	2,362,318	2,123,204	1,995,224	1,887,708	2,051,881	1,535,574	1,910,186	1,872,900	2,008,541	2,162,195
Public Works Department	451	106,550	106,715	149,484	250,946	177,436	137,432	162,500	131,011	162,972	171,000	171,363	184,472
Transportation and Mobility Department	461	74,729	99,071	46,659	40,654	76,350	90,954	102,318	181,688	226,012	191,000	237,650	255,830
City Manager's Office	468	24,951	37,423	28,532	25,531	18,402	24,022	30,492	41,636	51,794	28,100	54,461	58,627
Public Works Department	470	239,472	288,067	290,506	305,586	173,066	324,480	255,572	126,705	157,616	247,200	165,731	178,410
Public Works Department	530	-	-	44,212	30,729	11,520	3,690	9,048	12,065	15,008	15,600	15,781	16,988
Human Resources Department	543	-	120	336	304	199	17	83	974	1,212	-	1,274	1,372
Human Resources Department	545	18,592	46,867	33,690	30,778	632	303	3,719	7,036	8,753	14,900	9,204	9,908
Information Technology Services Department	581	31,329	20,843	17,725	15,041	12,237	21,297	3,202	2,131	2,651	20,400	2,787	3,000
Development Services Department	582	-	-	-	-	-	-	90,354	65,867	81,936	49,900	86,154	92,745
Public Works Department	583	469	2,051	177	-	64	9	-	-	-	2,900	-	-
Transportation and Mobility Department	643	1,351	1,695	921	8	1,584	1,256	248	4,991	6,209	-	6,529	7,028
		12,599,547	14,385,468	13,990,112	16,378,734	16,185,413	18,243,136	18,904,909	16,932,163	21,062,859	17,851,400	22,147,385	23,841,660

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 9/30/2025, will exceed \$21 million and is projected to be approximately \$22.1 million in FY2026, excluding FICA.

The total OT cost for FY2026, including FICA, is estimated to be approximately \$23.8 million.



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