



## City of Fort Lauderdale FINANCIAL INTEGRITY PRINCIPLES (FY 2026 Update)

As stewards of public funds, the City of Fort Lauderdale must ensure the proper handling of finances, utilize best practices, adhere to federal laws and Florida state statutes, and deliver high quality services by providing an overarching outlook to guide the City, thereby preserving the integrity of the organization and providing financial sustainability.

The financial integrity of the City of Fort Lauderdale is of utmost importance and adopting a set of principles is a key element to maintaining this integrity. The financial integrity principles outlined in this document set forth the basic framework for the overall fiscal management of the City. This document contains high-level principles that shall govern the City's financial management. When applicable, detailed direction is provided in separate policy documents, as described herein.

The financial integrity principles will be reviewed and updated as necessary but will be comprehensively evaluated at least every five (5) years. The City of Fort Lauderdale financial integrity principles are outlined below:

### **Principle I: Sound Budgeting Practices**

- A. Revenue Estimating Conference Process
- B. Cost Recovery
- C. Grants/Reimbursement
- D. Inter-Fund Borrowing
- E. Proprietary Funds - Working Capital
- F. Emergency Management Reserve Fund
- G. General Fund - Fund Balance
- H. Structurally Balanced Budget
- I. Budget Transfers and Amendments
- J. Allocation of Overhead Cost

### **Principle II: Prudent Fiscal Management**

- A. Revenue Collections
- B. Purchasing
- C. Fixed Assets
- D. Procurement Card (P-Card)
- E. Risk Management
- F. Cash Management
- G. Financial Oversight and Reporting

### **Principle III: Cost Effective Operations**

- A. Performance Management
- B. Financial Transparency
- C. Business Continuity Preparedness
- D. Travel Policy

### **Principle IV: Long-term Financial Planning**

- A. Investments
- B. Multi-year Community Investment Plan
- C. Multi-year Financial Forecast
- D. Debt Management
- E. Capital Maintenance, Renewal, and Replacement

The following sections describe these four (4) financial integrity principles and supporting policies in more detail:

**I. Sound Budgeting Practices**

***The City of Fort Lauderdale shall be committed to maintaining a structurally balanced budget to support high-quality service to our neighbors, consistent with the needs of the City.***

- A. Revenue Estimating Conference Process.** The City shall prepare the annual budget with the support of a revenue estimating conference committee. The committee will focus on analyzing past revenue trends and the current operating environment to provide budget recommendations for accounts not projected by a third party. Conference members shall include, but not limited to, one member from the Office of Management and Budget, one member from the Finance Department, one member from the Budget Advisory Board, and one member from the Audit Advisory Board.
- B. Cost Recovery.** The City will establish user fees, where appropriate and allowable, to recover a portion or the full cost of providing specific services. If applicable, when developing a new fee, staff shall recommend a cost recovery goal to the City Commission aligned with the characteristics of the service and the level of community benefit. User fees will be set in alignment with Commission directives and priorities and will also take into consideration similar fees charged by neighboring municipalities. User fee studies to determine the cost of providing a service may be conducted by City staff or a third party and should incorporate an analysis of any overhead and other indirect costs associated with service provision.
- C. Grants/Reimbursement.** The City shall maintain a policy for the centralized management and administration of grants to ensure the efficient and effective use of resources, recognizing that some programs are funded by grants from other entities. Some grants are awarded on a reimbursement basis; the responsible department shall apply for such reimbursements on a timely basis to minimize the period that City funds are used as float.
- D. Interfund Borrowing.** The City shall not borrow or use internal fund transfers to obtain cash from one fund type or reserve to fund activities of another fund type or reserve unless such use is deemed lawful, and unless City staff, through the City Manager, have determined that (a) the funds to be loaned will not be needed during the lending period, and (b) the funds for repayment will be available within a two-year period. Any actions taken to borrow funds under these conditions must be separately presented to and approved by the City Commission along with the terms of such borrowing. The repayment shall not extend beyond the last day of the second fiscal year. The loaning fund shall receive interest for the borrowed funds at a rate comparable to market rates at the time of the loan approval.
- E. Proprietary Funds – Working Capital.** The City shall establish proprietary funds only if the costs to provide the service are substantially funded from the charges for the service. Each proprietary fund (excluding Executive Airport and Water and Sewer funds) shall maintain a minimum of 45 days of working capital reserve based upon operating expenses to provide continuing service during normal business interruptions such as a natural disaster. The Airport Fund will follow the minimum thresholds set forth by the Federal Aviation Administration (FAA). The Water and Sewer Fund shall maintain a minimum of 90 days of working capital reserve based upon operating expenses to provide continuing services during normal business interruptions.

**F. Emergency Management Reserve Fund.** Historical events in the City of Fort Lauderdale – such as hurricanes and flash floods - underscore the importance of the City maintaining a dedicated emergency management reserve. Such a reserve ensures that critical funding is earmarked for emergency response and recovery and not commingled with the broader uses associated with General Fund Balance. In the event of a formal emergency declaration by a governmental authority, and when costs would otherwise be borne by the General Fund, resources from the Emergency Management Reserve Fund will be utilized to support recovery efforts and, in most cases, to provide the required match for any anticipated federal or state disaster recovery funds.

At minimum, the City shall aim to maintain an Emergency Management Reserve Fund that is equal to one percent (1%) of General Fund budgeted operating expenditures for the upcoming fiscal year (excluding pass through funds) and required transfers based on the originally adopted budget. If, during the fiscal year, funds are utilized and the reserve falls below the one percent (1%) threshold, the City shall prioritize replenishing the reserve to at least the minimum required within three (3) years, or as part of the subsequent budget development process. Should the reserve exceed five percent (5%) of the General Fund operating budget, any amount in excess may be transferred to the General Fund upon Commission authorization and used for capital improvements, unanticipated expenditures necessary to comply with legal commitments, initiatives that will reduce recurring costs or increase recurring revenues, or other one-time expenditures as approved by the City Commission.

**G. General Fund – Fund Balance.** The City shall maintain a minimum level for the General Fund unassigned fund balance at 16.67% or approximately two (2) months of General Fund budgeted operating expenditures for the upcoming fiscal year (excluding pass through funds) and required transfers based on the originally adopted budget. To address unplanned expenses, events, or opportunities, the City shall target a General Fund Balance that is equal to 25% or three (3) months of General Fund budgeted operating expenditures for the upcoming fiscal year.

At any time the fund balance falls below the minimum threshold, the City Manager will develop a plan to replenish the funds within a three (3)-year period or until the balance is restored to the minimum level. Amounts in excess of the targeted threshold may be used for capital improvements, unanticipated expenditures necessary to comply with legal commitments, initiatives that will reduce recurring costs or increase recurring revenues, or other one-time expenditures as approved by the City Commission.

**H. Structurally Balanced Budget.** The City shall maintain a structurally balanced budget. Under a structurally balanced budget, recurring revenues will fund recurring expenditures. Non-recurring revenues can be used to fund non-recurring expenditures such as one-time purchases, capital outlay, capital projects, debt repayment, or contributions to offset the unfunded liability related to pensions or other post-employment benefits.

**I. Budget Transfers and Amendments.** The City shall maintain established budgetary guidelines and procedures for transferring funds within departments and for amending the budget. The City Commission adopts the annual budget in September of each year providing for appropriation centers which govern how budget transfers and amendments are to be administered. Any amendments to the budget must be approved by the City Commission in the same manner that the annual budget was adopted. Any change in the overall budget appropriations, between

departments, allocations from fund balance, or changes between funds is considered an amendment and must be approved by the City Commission. The City Charter allows for specifically pledged funds, including approved encumbrances and capital project balances, to roll to the next fiscal year without receiving specific Commission reappropriation approval.

Budget transfers are administrative changes to the budget within the same department and fund. This process provides for ongoing adjustments to the operating budget while providing enhanced reporting and control over expenditure items. Budget transfers do not alter the adopted budget for that department. The City Manager has the delegated authority to approve budget transfers.

- J. Allocation of Overhead Costs.** The City shall maintain procedures for completing and administering a full cost allocation methodology to allocate administrative overhead costs to enterprise funds, special revenue funds, and when allowable and recommended, grants.

## **II. Prudent Fiscal Management**

***The City of Fort Lauderdale shall commit to best practices in revenue collection, expenditure disbursements, asset maintenance, and record keeping for ensuring the optimal performance and integrity of public funds and resources.***

- A. Revenue Collection.** The City shall maintain an established revenue collection policy to ensure timeliness and provide for maximum collection of revenues and ongoing monitoring procedures to ensure accurate collections. When grants are awarded on a reimbursement basis, application for such reimbursements shall be completed in a timely manner to minimize the period that City funds are used as float.
- B. Purchasing.** The City shall maintain policies and procedures for purchasing services and goods, in accordance with Federal law, State law, and local ordinances, and provide appropriate checks and balances to ensure that City departments adhere to legislative and administrative policies. Rollovers for existing purchase order encumbrances will only be allowed when there is sufficient funding and when the rollover will not negatively impact unassigned fund balance.
- C. Fixed Assets.** The City shall maintain a general fixed assets policy to provide guidelines and set responsibilities for the acquisition, depreciation, and disposal of assets. Capital assets are recorded at historical cost, which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Assets will remain as part of the property record until they are retired or are disposed of, sold, or traded in regardless of the net book value amount. The criteria for capital assets for financial reporting purposes will be outlined in the policy and updated as required in accordance with Generally Accepted Accounting Principles.
- D. Procurement Card (P-Card).** The City shall maintain policies and procedures that dictate the use of P-Cards. P-Cards will be issued, based upon job requirements, to regular full-time employees who frequently purchase goods for official business use. All requests for purchasing cards must be signed by the Department Director or designee. The purchasing card is to be used for City authorized purchases only.
- E. Risk Management.** The City shall maintain policies and procedures that ensure the protection of assets, continuity of services, a safe work and service environment, and that ensure the efficiency and effectiveness of risk management and risk financing activities. Given that the City is self-

insured, a prudent level of financial reserves will be maintained based on actuarial studies.

- F. Cash Management.** The City shall maintain a cash management policy to obtain the maximum yield on short-term investments of pooled, idle cash. Cash management consists of practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.
- G. Financial Oversight and Reporting.** The City shall routinely and continuously prepare financial reports for key funds, in which budgeted revenues and expenditures are compared to year-to-date actuals and accompanied by forward-looking projections. The Office of Management and Budget shall be responsible for compiling and issuing quarterly financial projection reports to the City Manager's Office and providing updates regarding year-to-date trends and conditions.

The Finance Department is responsible for preparing the City's annual external audit reports - including the Annual Comprehensive Financial Report (ACFR), single audit, and management letter - and ensuring these are completed and presented to the Audit Advisory Board and the Mayor and City Commission on or before the deadlines established by Florida State Statutes. The department also ensures that financial transactions are properly recorded in accordance with Accounting Principles, Generally Accepted and the Governmental Accounting Standards Board (GASB).

### **III. Cost Effective Operations**

***The City of Fort Lauderdale shall be accountable to stakeholders through transparent and fiscally responsible decisions in order to deliver high-quality services in the most efficient and effective manner possible.***

- A. Performance Management.** The City shall utilize operational and targeted metrics to manage the performance of each department to ensure direct support of the strategic goals and objectives as defined in the Strategic Plan and the City's Vision Document. Performance measures should have sufficiently aggressive targets to ensure continuous improvement and the ability to objectively manage departmental performance.
- B. Financial Transparency.** The City of Fort Lauderdale shall be committed to transparency and accountability to serve as a model of fiscal and operational efficiency, while meeting the needs of its flourishing population. Financial reporting should be completed in a timely manner to ensure relevancy, accuracy, accountability, and transparency.
- C. Business Continuity Preparedness.** The City shall maintain current plans and train staff on business continuity preparedness based on best practices to ensure that staff is ready to efficiently and effectively respond to natural disasters or other interruptions in City services. Employees assigned to the Emergency Operations Center (EOC) should be adequately trained in the areas of finance and administration, emergency response, and incident command.
- D. Travel Policy.** The City shall maintain and administer a fiscally responsible travel policy to ensure the efficient use of funds for employees traveling for business both locally and out of town. This policy governs training and conference travel.

#### **IV. Long-term Financial Planning**

***The City of Fort Lauderdale shall be dedicated to investing in the future and enhancing the quality of life through public-private partnerships, cooperative decision-making, community engagement and smart strategic investments, while using debt in a responsible manner and striving for the highest level of government bond ratings available.***

- A. Investments.** The City shall maintain policies and procedures for investing public funds more than the amounts needed to meet current expenses. Such policy shall be in accordance with State law, including the Prudent Person Rule, and address safety, liquidity, risk, and asset allocation issues. The City's investment policy is designed to safeguard the City's funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.
- B. Multi-Year Community Investment Plan (CIP).** The City shall develop a multi-year community investment plan for adoption with the annual budget. Operating departments shall be required to submit an independent needs assessment for use in preparing a five-year CIP. The CIP shall include costs for necessary infrastructure improvements to support City services, including information technology. The CIP shall be detailed for the current fiscal year and four subsequent years with a clear delineation of funded, partially funded, and unfunded projects. The City Commission shall adopt the five-year Community Investment Plan by September 30th of each year.
- C. Multi-Year Financial Forecast.** City staff shall present a multi-year financial forecast as part of the annual budget process to the City Commission no later than September 30th of each year. Such plan shall include cost estimates of all current operations and pension obligations, anticipated increases in operations, debt service payments, reserves to maintain the City's officially adopted fund balance and working capital levels, as well as estimated recurring and non-recurring revenues. Revenues and expenditures shall be projected for at least five (5) years into the future.
- D. Debt Management.** The City shall maintain a debt management policy to address affordability, capacity, debt issuance and debt management. The policy will ensure sound restrictions that guide debt issuance practices, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. Debt management guidelines serve to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy demonstrates to rating agencies and the capital markets that the City is well managed and committed to meeting its debt obligations in a timely manner.
- E. Capital Maintenance, Renewal, and Replacement.** The City shall periodically conduct studies to determine infrastructure needs throughout its boundaries (e.g., the condition of bridges, streets and sidewalks, canals, seawalls, facilities, and other infrastructure). The funding of renewal and replacement throughout the City should be based on plans developed through independent studies and assessments. Funds for capital maintenance, renewal and replacement should be identified and set aside as reserved by purpose.