APPROVED

BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
APRIL 16, 2014 – 6:00 P.M.

		10/2013 through 9/2014 Cumulative Attendance	
Board Member	**Attendance**	**Present**	**Absent**
June Page, Chair	P	7	0
Drew Saito, Vice Chair	P	6	1
Chip Burpee	A	5	2
Josias Dewey	P	6	1
Nadine Hankerson	A	2	5
James McMullen	P	6	1
Fred Nesbitt	P	7	0
Robert Oelke	P	7	0
David Orshefsky	P	2	0
Bryson Ridgway	P	4	3

Personnel Attending

Stanley Hawthorne, Assistant City Manager
Kirk Buffington, Director of Finance
Diane Lichenstein, Senior Financial Management Analyst
Linda Logan-Short, Deputy finance Director/CFO
Laura Recce, CIP Assistant Grant Manager
Emilie Smith, Budget Manager
Lee Feldman, City Manager
Charmaine Eccles, Budget Department and Board Liaison
Paul Vanden Berge, Fire Rescue Department Budget Coordinator
Lisa Edmondson, Prototype Inc.

Communications to the City Commission

None.

Purpose**:** To Provide the City with input regarding the taxpayers' perspective in the development of the annual operating budget; to review projections and estimates from the City Manager regarding revenues and expenditures for upcoming fiscal year; to advise the City Commission on service levels and priorities and fiscal solvency; and to submit recommendations to the City Commission no later than August 15 of each year regarding a budget for the upcoming fiscal year.

Items were discussed out of order.

1. Call to Order

The meeting of the Budget Advisory Board was called to order at 6:04 p.m.

2. Roll Call

Roll was called, and it was determined a quorum was present.

3. Approval of Meeting Minutes

A. February 2014 Regular Meeting

B. March 2014 Regular Meeting

Mr. Oelke requested that a question he had asked be included in the minutes.

Motion made by Mr. Oelke, seconded by Mr. Nesbitt to approve the minutes of the Board's February 2014 meeting as amended. In a voice vote, with Mr. Orshefsky abstaining, motion passed unanimously.

Motion made by Mr. Orshefsky, seconded by Mr. Oelke to approve the minutes of the Board's March 2014 meeting. In a voice vote, motion passed unanimously.

Regarding her remark at the March meeting that the Board's 2013 Departmental Budget Review Sessions had "failed miserably," Chair Page qualified her statement by saying that they had not gotten "into the numbers" with many of the departments, but they had come away knowing what the departments did.

Regarding this year's reviews, Ms. Smith said they had discussed a different approach: reviewing a packet that included very specific line item information regarding expenditures. It also included full descriptions of departments' additional requests. Chair Page asked Board members to email her with any specific information they wanted included. Ms. Smith agreed to send Board members a copy of the template used to create the packets.

Mr. Hawthorne stated the City Commission would not participate directly in the budget review and would defer to the BAB. Mr. Hawthorne said the BAB's process would coincide with the City Manager's process and they would comment on the City Manager's recommendations. Mr. Saito did not want to get "into the nitty gritty" of the process; he wanted their review to remain at a high level.

4. Public Input

None.

5. Old Business

A. Alternative Funding Sources for Capital Improvements

Bryson Ridgway, Budget Advisory Board member

Mr. Ridgway had sent Board members a document titled "Potential Outcomes from CIP Analytical Framework" that indicated which mechanism could be used to provide capital for specific capital projects. Mr. Nesbitt wished to provide the City Commission with options for financing projects but not recommend a particular method. Mr. Ridgway agreed the options could be ranked to indicate which was most appropriate. For example, Mr. Ridgway thought the sale/leaseback was the best option for a new City Hall. Robert L. Nabors, Shareholder, Nabors Giblin & Dickerson, PA, said it might be possible to create a non-profit to purchase the facility and lease it back to the government. Financing would be raised by selling portions of the lease.

Mr. Orshefsky thought the City Commission had already prioritized infrastructure improvements. Ms. Smith said the Commission went through a yearly prioritization process. Staff had not put forward a CIP request concerning City Hall yet. Mr. Hawthorne said this project was intended to acknowledge capital needs that required planning. Mr. McMullen also wanted the analysis to indicate how long it typically took to accomplish the different financing options. Mr. Nabors did not feel there was enough difference in how long each would take to make much difference in the decision-making process. Mr. Orshefsky pointed out that the programs were of different duration, which would also affect which was more or less appropriate.

Chair Page said at the workshop, Mr. Ridgway would explain the examples, and they would use a graphic with buckets representing different funding mechanisms showing the capital improvements and the best ways to fund them. Mr. Nesbitt reiterated that he did not want to make an actual recommendation to the Commission but present them with options they might not have considered. Mr. Saito suggested using examples from other municipalities. Mr. Oelke remarked that Mr. Ridgway's analytical framework could be used for years to determine possible funding mechanisms for projects. He did not want to get very specific or make a recommendation about every project.

The Board, Ms. Smith and Mr. Hawthorne discussed the format for their presentation to the Commission.

The Board returned to discussion of specific funding sources for specific projects and Mr. Ridgway said options for a Police Station were very limited and Mr. Nabors agreed, because the ability to re-lease the building would be limited. Mr. Feldman said the other factor in a lease situation was that a lease would still have an impact on the budget, which could necessitate raising taxes or decreasing services. He had calculated that the debt service on an $80 million Police station would cost $62.50 per year on a home worth $250,000. He felt voters would be more in favor of a bond issue for a new public safety complex than for a new City Hall.

B. Financial Integrity Principles and Policy discussion
Stanley Hawthorne, Assistant City Manager

Ms. Smith said the document functioned as an outline to guide staff in development of policies going forward. Policies would be continually reviewed and updated.

Mr. Oelke asked if the General Fund Balance was the same standard they had been using or if the number would change based on the risk analysis Ms. Smith had provided the Board last month. Ms. Smith explained this was the current policy but they might suggest changing it pursuant to that risk analysis.

Mr. Oelke noted that maintaining a relatively low millage rate could necessitate raising fees to compensate, so "if this is a statement of practice, isn't maintaining a relatively low millage rate really a policy decision to be set by the Commission rather than a practice or a principle?"

Mr. Hawthorne said the document was "very fluid" and they would ask the Commission to adopt it later. The Board had the opportunity to comment on the document and make recommendations. He said there would be an agenda item for discussion at a future meeting. Chair Page recommended adding it to the Board's June agenda.

Mr. Hawthorne said one of the principles in the document was a structurally balanced budget. The perspective from which the Commission would come when considering expenditures and revenues was, "What is it going to take to get a structurally balanced budget?" He predicted there would be a gap, and they wanted the BAB to make recommendations about how to make up the shortfall. Ms. Smith anticipated a property tax revenue increase of approximately $4 million. She described the process they used for estimating revenue. After the Revenue Estimating Committee reviewed the list, it would be forwarded to BAB members.

Ms. Smith recalled that the previous year, the Commission had adopted 100% funding in the Fire Assessment, which would require adjusting the Fire Assessment if the Fire Budget increased. This year, the Fire Department's breathing apparatus required replacements, which would cost $700,000 to $1.7 million, necessitating an increase in the Fire Assessment.

6. New Business

Ms. Smith stated there would be a workshop on April 28 prior to the Board's joint meeting with the Commission.

Ms. Smith provided Board members with a copy of the Multimodal Connectivity presentation the Transportation and Mobility Department had created.

Ms. Smith showed the Vision video the Public Affairs Office had created that had been presented to the Commission the previous day. Mr. Feldman said it had taken a year to create a vision and this was their first year planning around that vision.

7. Joint City Commission Budget Workshop - April 28, 2014
Draft Agenda

A. Introductions (Mayor)
B. Business Updates (Board Chair)
C. Budget Forecast (Presentation)
D. Capital Improvement Priorities and Funding (Discussion)

Chair Page stated Burton and Associates would present the Budget Forecast (item C).

Mr. Nesbitt wished items C and D to be reversed because he feared the Commission would get bogged down in the Budget Forecast discussion. Mr. Hawthorne agreed to this change.

Ms. Smith reported departments had requested an additional $12 million in funding this year for items such as new positions, equipment and initiatives. Mr. Feldman stated his budget would include building back some of the City's foundation where he felt they had skimped in personnel. Mr. Orshefsky asked if the additional $12 million Ms. Smith mentioned was attributed to recurring costs or capital costs. Ms. Smith agreed to find out and provide the information to Mr. Orshefsky.

Regarding the anticipated budget gap, Chair Page reminded staff that the City had adopted a policy of having a structurally balanced budget and the Board urged them not to deviate from that policy.

Mr. Feldman remarked that there was always a budget gap at this stage of the process. The issue was closing the gap without deviating from a structurally balanced budget. He did not intend to ask for new things that deviated from that policy.

Chair Page said Mr. Hawthorne and Ms. Smith had indicated they City might wish to increase the reserves over 16.6% and asked how this would affect the City's need to increase revenues and spend money on infrastructure. Mr. Feldman said they could not be realistic until they had revenue numbers from the State. He discussed the impact possible legislative action would have on their revenue estimates.

The Board discussed documents that would be included, and their presentation to the City Commission.

8 Communications to the City Commission

None.

Other Discussion Items and Announcements

None.

9. Adjourn

Upon motion duly made and seconded, the meeting was adjourned at 7:55 p.m.

Documents Attached:

Revision of Mr. Ridgway's analytical framework and matrix
Outline of departments' budget presentation requirements
Financial Integrity Principles and Policies document

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.

[Minutes prepared by J. Opperlee, ProtoType Inc.]

MEMORANDUM
Budget Advisory Board
Fort Lauderdale, Florida

March 12, 2014 Via Email

Chairwoman June Page
Budget Advisory Board
Fort Lauderdale, Florida

RE: Asset Classification Framework ***(DRAFT)***

Chairwoman Page:

As you aware, the City of Fort Lauderdale has a tremendous task before them. There are a number of capital assets that need to be recapitalized. The purpose of this document is to outline a potential analytical framework that the City can use to determine how best to meet this challenge. I don't believe that the committee has the intimate knowledge or resources to determine the best method of capitalization for every asset, however, we can provide a criteria that the city may find helpful when making these decisions. I do believe that large capital asset projects like City Hall, the Police Station, and large infrastructure projects such as parking, bridges, and roads warrant discussion by the committee specifically.

Objective of this memorandum

1. Deliver an *Analytical Framework* for the City Manager's Office and BAB to use when discussing how to capitalize assets.
2. Setup a discussion on how to capitalize large Capital Asset projects like City Hall, the Police Station, and various infrastructure projects (parking garages, roads, bridges, etc.).

Analytical Framework Summary

A step by step analytical framework is described below and supported by a matrix attached to this letter.

Step 1: Public and Private Goods

Question: Should we provide this asset and to what extent?

Determine whether or not the good or service that we are looking to develop resources (buildings, equipment, etc.) for is a private or public good.

Use the following questions to identify whether or not we should have a certain asset and to what extent.

1) Is the good or service by in large a public or private good? (e.g. City Hall supports the managerial and administrative function of the City, which is a necessary component of local government, a public good).
2) If the asset in question is a public good, then are all of the components public goods? (e.g. the City Manager's office needs to be provided by the City, however, does the City's printing department qualify as a public good? If not then eliminate their space needs from asset requirements, in this case reduce the size requirement of City Hall.

In political science, public and private goods are differentiated by their rival or excludable qualities. Pure public goods are non-excludable and non-rival, but there are quasi-public goods that should still qualify as a public good (see Exhibit A). Given the subjective nature of this topic I would recommend to identify the pure private goods, i.e. goods that are clearly private. (e.g. printing, landscaping services) and set aside quasi-public goods for later discussion.

The City should sell or divest private goods and services to reduce the amount or quantity of assets requiring capitalization. These services or goods can be provided to the City and the public by the private market (see Notes 1 and 2).

Step 2: Asset Characteristics to Consider

Questions: What characteristics affect how I will capitalize the subject asset?

Characteristic A: Who benefits from this public good?

Determine what entities or properties directly and indirectly benefit from the good or service being provided by the subject Capital Asset. Those who benefit should by in large finance the cost of the Capital Asset. Beneficiaries could be a single entity, street, neighborhood, district, city, type or types of organizations.

1) Identify the organizations that benefit and consider how direct or indirect that benefit may be.
2) Identify the property owners that benefit and consider how direct or indirect that benefit may be.

The costs of goods or services that benefit specific properties or entities should be financed largely by the benefiting entities and properties.

Characteristic B: What is the useful life of the subject asset?

Determine the useful life of capital asset to help match the appropriate financing option with the asset. Use a standardized useful life table such as MACRS to determine useful life.

While not a rule, the following financing methods are recommended for capital assets with useful lives equal to:

i. Less than 1 year (not a capital asset) – funded using cash
ii. 1-3 years – funded using leases
iii. 3-7 years – consider lease to purchase
iv. 10 + years – consider dedicating a long term funding source, i.e. bonds

Note the available financing options for a specific asset.

Characteristic C: What collateral is practical for the City to provide?

The ability to provide collateral is fundamental to the ability to borrow and at what cost. The ability to provide stronger collateral increases the liability to the *city but also makes the city more attractive to finance and results in more capital at a lower cost.*

1) Is the passing of a referendum practical in this situation?
2) Can the City earmark funds to service debt or liabilities?

These characteristics help determine how confident the private market will be that they any capital they loan will be repaid.

Note the collateral available.

Characteristic D: Is the private market interested in providing this capital asset or service in a form suitable to the city?

Can we have the private market capitalize our Capital Assets and have the City lease those assets from the private market? Although the private market will require profit they provide several advantages to the city (see Notes 1 and 2) and the cost isn't always higher than municipal production.

1) Is the service already provided by the private market?
2) Is the Capital Asset viable for private use; if so how much modification is needed? (i.e. private demand for the asset serves as "collateral" for the asset).
3) Does the Capital Asset provide a fundamental service to the Public that is not easily replaced?

Note private market interest in providing service or capital asset.

Step 3: Determine Eligible Capitalization Strategies & Select

Question: What capitalization strategies are eligible?

Consider the characteristics determined above and compare to Robert Nabors memorandum or exhibit in the back.

Note the capitalization strategies eligible for use and select the strategy that best fits the needs of the city and characteristics of the asset.

This memo is meant to serve as a framework for our initial discussion on how to capitalize various capital assets. Ultimately the committee should improve this memo, have it be signed by the committee, and use it as a framework to discuss how to capitalize major capital assets like City Hall, the Police Station, and infrastructure projects such as roads, parking, and bridges.

Best Regards,

Bryson Ridgway
Budget Advisory Board Member

Notes

(1) Benefits and Costs of Using the Private Market

The private market can provide a number of benefits to a municipality and in certain occasions should be considered in lieu of public management.

Costs: The private market only performs services for profit, which requires that the private market charge in excess of the cost of production. In essence the additional cost of a service is the profit in which they charge. Additionally, the municipality will lose control over the production of these goods or services.

Benefits: The benefits are both direct and indirect.

i. Core Competency: The private market is able to develop competencies in providing certain services and goods that the City is unlikely to achieve. These competencies generally result in either lower costs of production or higher quality goods and services and sometimes both. These factors can result in the delivery of private market goods and services at a price that includes cost and profit but less than the cost only price of production by the public. *A win-win for public and private markets.*
ii. Liability: The use of the private market shifts risk onto the private market. For example if the City were to rent City Hall then the liability associated with mechanical equipment and structural replacement would be shifted to the private market. It is true that the cost of this shift in liability is priced into the profit, but private companies historically manage risk better and are set aside less than public entities to manage these risks.
iii. Managerial Focus: City Hall has a number of competing interests to manage. The strategic vision of City Hall's leaders is their greatest charge, however, any strategic vision requires tactical implementation. If the City is able to outsource certain activities, then they will be able to shift the time that spend managing non-core business units (e.g. printing services) and focus on the strategic initiatives.
iv. Flexibility: The private market provides services on demand, so when services are not needed the City does not have to carry the fixed cost of operating this specific service. If the private market is able to compliment demand from the public with demand from the private sector and constantly provide his service, then the fixed cost associate with downtime is not passed onto the City. This is one of the ways the private market can deliver the same product at a lower cost.

(2) City Demand Sponsors Economic Development

When appropriate, the use of private service providers can deliver the same service at equal to or lesser than the cost of providing it in-house. This is due to economies of scale, development of core competencies, etc.

City demand for private local business goods and services can incubate economic activity within the city that increases employment, quality of life, and tax revenues. These businesses can provide these services in other markets, which will increase local economic activity via the export of goods or services by the private provider to other markets. (e.g. spinning off the printing services division, providing a municipal contract for work and introducing the Fort Lauderdale based firm to other municipalities who previously used the City's printing services). It is possible this firm could grow to provide municipal printing services to cities across the county, state, nation, etc. and be a model of economic development activity sponsored by the City.

(3) Public vs. Private Capital Assets

Special Note: I believe it is best consider quasi-private or quasi-public goods and services as "public" for the time being and focus on divesting from goods and services, if possible, that are clearly private in nature.

By definition, an asset is Public if the private market fails to provide such a good or service. The private market fails to provide services that are non-rivalrous and non-excludable; private market failure is due to an inability to generate a return of capital invested.

Rival vs. Non-Rival: A good or service is rival when the consumption of one unit diminishes the ability of others to enjoy an additional unit due to an increase in cost. So a good is non-rival when the consumption of more of a good or service does not cause a marginal (higher cost per unit) increase in cost. (e.g. broadcast television, street lights, clean water, and public safety). Determination of a good as non-rival is not always absolute as non-rival goods are measured on a continuum, i.e. a good is non-rival up until a certain point and at which point it may become rival in nature.

Excludable vs. Non-Excludable: A good or service is excludable when you can prevent people (consumers) who have not paid from having access to it. In comparison, a non-excludable asset does not allow a private provider to ensure payment from those that enjoy the use of an asset (the free rider and tragedy of the commons problems). (e.g. lighthouses, national defense, and ocean resources).

The combination of answers to the questions about rivalry and excludability help dictate the best way to provide services that are necessary for and demanded by the public.

	Excludable	Non-excludable
Rivalrous	Private Goods	Common Goods/Resources
Non-rivalrous	Club Goods	**Public Goods**

Potential Outcomes from CIP Analytical Framework

Specific Project Examples	Step 1 Public or Private	Step 2 (A) Benefits Who	Step 2 (B) Useful Life	Step 2 (C) Practicality of Providing Collateral	Step 2 (D) Private Interest	Category Nabor Category Selection	Step 3 & Explanations Select Options (ranked)
City Hall	**Public Service & Private Assets Avail.**	**City Wide**	**40+ Years**	**Liability - Not Practical; Assets - Practical**	**Yes**	**General Gov't Cap. Asset**	**(1) Sale Leaseback - Sell building, City collects assets and posts portion as collateral to buyer, signs a lease using CBA (no voter approval*), and has new owner perform capital improvements. [Generates cash today, collateralized lease commitment = lower lease pmts.]** (2) Ad valorem Tax obligation to either (a) borrow money for improvements, (b) sale lease-back or lease elsewhere. [collateralized so capital costs are cheap, but political approval challenged]. (3) Lease Purchase - Technically includes a sale component. However, we could Lease Purchase another building, which enables us to lease office space without a voter approval [Generates less cash and has higher capital costs, but less than CBA). (4) Covenant to Budget (CBA) - (a) can't borrow money for improvements, (b) Sale Lease-back [Generates less cash and/or higher capital costs due to lack of collateral].
Police Station	**Public Service & Public/ Private Asset**	**City Wide**	**40+ Years**	**Liability - Not Practical; but Assets - Practical**	**Potential**	**General Gov't Cap. Asset**	**(1) Ad valorem Tax obligation to either (a) borrow money for improvements, (b) sale and lease-back or lease elsewhere. [collateralized, so capital costs are cheap, political approval challenged]. Need collateral because owner can't take back asset.** Note: If the private market can't take back capital invested in Police/Fire etc., then the city must provide real collateral to guaranty payment. All other options not available. (n/a) Sale Lease-Back (n/a) Capital equipment master lease (n/a) Commercial leases (n/a) Non-Ad Valorem Taxes - *believed to be*
Stormwater Improvements - Public Spaces	**Public Asset**	**City Wide**	**20-40 Yrs.**	**Range from Practical to Difficult**	**Yes**	**Stormwater**	**(1) Ad Valorem Tax - Collateral for Bond Issuance. Of all the collateral options this option is the most practical to distribute cost, but requires voter approval. [cheap capital, equitable cost distribution, difficult approvals]** (2) User Fees (Home Rule/Storm Fee/etc.) - Collateral for Bond Issuance. User Fees may provide more flexibility in apportioning tax. [cheap capital, ability to equitably allocate cost, home rule approval - could combine with other source]

							(3) Special Assessment (Home Rule) - Collateral for Bond Issuance. Assessment to all property owners. [cheap capital, less equitable, home rule approval, combine with other source]
Stormwater Improvements - Neighborhood	**Public Asset (Club Good)**	**Neighbor hood**	**20-40 Yrs.**	**Practical**	**Yes**	**Neighborhood & Stormwater**	**(1) User Fees (Home Rule/Storm Fee/etc.) - Collateral for Bond Issuance. User Fees may provide more flexibility in apportioning tax. [cheap capital, ability to equitably allocate cost, home rule approval - could combine with other source]** (2) Special Assessment (Home Rule) - Collateral for Bond Issuance. Assessment to all property owners. [cheap capital, less equitable, home rule approval, combine with other source] (n/a) Ad Valorem Tax - doesn't benefit entire tax base.

City of Fort Lauderdale
FINANCIAL INTEGRITY PRINCIPLES AND POLICIES

As stewards of public funds, the City of Fort Lauderdale must ensure the proper handling of finances, utilize best practices, 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 and policies is a key element to maintaining this integrity. The financial integrity principles and policies outlined in this document set forth the basic framework for the overall fiscal management of the City. This document contains high-level principles and policies that shall govern the City's financial management. Detailed policy direction is set forth in separate policy documents as described herein.

The financial integrity principles and policies as described in this document will be reviewed and updated as necessary, but will be comprehensively evaluated at least every five years. The financial integrity principles and policies outlined below are hereby adopted:

Principle I: Sound Budgeting Practices

Supporting Policies

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

Principle II: Prudent Fiscal Management

Supporting Policies

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

Supporting Policies

A. Performance Management
B. Financial Transparency
C. Disaster Preparedness
D. Travel Policy
E. Full Cost of Service

Principle IV: Long-term Financial Planning

Supporting Policies

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

These four financial integrity principles and supporting policies are described in more detail following:

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, while maintaining a relatively low millage rate and reserves consistent with the needs of the City.

A. Revenue Estimating Conference Process. The City shall adopt budgets and develop its long and short-term financial plan utilizing an estimating conference process. Conference principals shall include, but are not be limited to: one principal from the Budget Office, one principal from the Finance Department, one principal from the Budget Advisory Board, and one principal from the Audit Advisory Board.

B. Cost Recovery. The City shall adopt a policy that directs the level of subsidy for user fees. User fees will be set based on the determination of the level of community benefit for various services offered to neighbors, in accordance with Commission directives and priorities.

C. Grants/Reimbursement. The City shall adopt a policy for the centralized management 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. In the event loans/float for these reimbursements extend beyond the end of a fiscal year, such reimbursements shall be reflected as receivables in the Comprehensive Annual Financial Report (CAFR) statements to the extent allowed under Generally Accepted Accounting Principles (GAAP).

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 the estimating conference has 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 and the term of such borrowing shall not extend beyond the last day of the subsequent fiscal year. The loaning fund shall receive interest on the borrowed funds at a rate equal to the average earnings interest rate over the life of the loan from the borrowing fund.

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 to provide continuing service during normal business interruptions such as a natural disaster. The Executive Airport Fund will follow the minimum thresholds as set forth by the Federal Aviation Administration (FAA). The Water and Sewer Utility Fund shall maintain between 60 and 120 days of working capital reserve to provide continuing services during normal business interruptions.

F. General Fund – Fund Balance. The target level for the General Fund unrestricted fund balance is a minimum of 16.6% or approximately 2 months of budgeted operating expenditures (excluding pass through funds) and required transfers based on the originally adopted budget. This unrestricted fund balance may only be used for offsetting an unexpected mid-year revenue shortfall or for funding an emergency such as a natural disaster, which threatens the health, safety and welfare of the City's residents, businesses or visitors. At any time the fund balance falls below the threshold, the City Manager will develop a plan to replenish the funds from net revenue surpluses in subsequent fiscal years until the balance is restored to the minimum level. Amounts in excess of the adopted minimum threshold may be used for capital improvements, unanticipated expenditures necessary to comply with legal commitments, and for expenditures that will result in the reduction of recurring costs or the increase in recurring revenues of the City.

G. Structurally Balanced Budget. The City shall maintain a structurally balanced budget. Recurring revenues will fund recurring expenditures. Non-recurring revenues should only be used to fund non-recurring expenditures such as capital outlay or projects.

H. Budget Transfers and Amendments. The City shall establish 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 or amendments are to be administered.

I. Allocation of Overhead Costs. The City shall develop procedures for administering a full cost allocation methodology for administrative overhead costs to direct services and/or enterprise funds.

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 adopt a revenue collection policy to provide for maximum collection of revenues and ongoing monitoring procedures to ensure accurate collections.

B. Purchasing. The City shall maintain policies and procedures for purchasing services and goods, in accordance with the Code of 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 in the particular fund and 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. To be considered a capital asset for financial reporting purposes, an item must be at or above the capitalization threshold and have a unit historical cost of $5,000 or more. 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.

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 full-time permanent 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 adopt policies and procedures that ensure the protection of assets to ensure continuity of services; maintain a safe work and service environment; and ensure the efficiency and effectiveness of risk management and risk financing activities.

F. Cash Management. The City shall adopt a cash management policy to maintain adequate levels of cash to meet operational requirements and to obtain the maximum yield on short-term investments of pooled, idle cash. Cash management is 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 provide for the on-going generation and utilization of financial reports on all funds comparing budgeted revenue and expenditure information to actual on a monthly and year-to-date basis. The Budget/CIP and Grants Division and the Finance Department shall be responsible for compiling and issuing monthly financial reports and providing updates regarding year to date trends and conditions. These reports should be issued within 45 days after the close of each month.

The annual external audit reports, including the Comprehensive Annual Financial Report (CAFR), single audit, and management letter of the City shall be prepared and presented in draft form to the Audit Advisory Board and the Mayor and City Commission by March 31st of each year. Financial reports, offering statements and other financial related documents issued to the public shall provide full and complete disclosure of all material financial matters.

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 increasing transparency and accountability to serve as a model of fiscal and operational efficiency, while meeting the needs of its flourishing population. Accounting and financial reporting ensures that financial transactions are properly recorded in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB). Financial reporting should be completed in a timely manner to ensure accuracy, accountability, and transparency.

C. **Disaster Preparedness.** The City shall develop plans and train staff on disaster preparedness based on best practices and Federal recommendations to ensure that staff is ready to quickly, efficiently, and effectively respond to disasters. 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 adopt 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.

E. **Full Cost of Service.** The City shall develop procedures for determining the full cost of service provision for each core service that the City provides. The City uses a cost recovery pyramid model to guide the setting of fees for each service category.

IV. <u>Long-term Financial Planning</u>

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 adopt a policy to address the investment of public funds in excess of the amounts needed to meet current expenses. Such policy shall include 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 include details by fund, project ranking, identified revenue sources, planned financing options, and operational impacts for the capital improvements upon completion. The CIP shall also include a section identifying all on-going approved capital projects of the City. 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. The City Commission shall adopt a multi-year financial forecast as part of the annual budget process no later than September 30th of each year. Such plan will 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. This plan will be prepared by fund and reflect forecasted surpluses or deficits and potential budget balancing initiatives, where appropriate.

D. Debt Management. The City shall 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 signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. The City’s debt management policy shall address affordability, capacity, debt issuance and management under the following general guidelines:

1. *Capital projects financing.* Capital projects financed through the issuance of bonded debt shall be financed for a period not to exceed 100% of the estimated useful life of the individual project with a minimum cost of $50,000 and life of 10 years.

2. *General obligation debt.* The net direct general obligation debt shall not exceed five percent and the net direct and overlapping general obligation debt shall not exceed ten percent of the taxable assessed valuation of property in the City.

3. *Special obligation debt.* Special obligation debt service shall not exceed 20 percent of non-ad valorem General Fund revenue.

4. *Revenue based debt.* Revenue-based debt shall only be issued if the revenue so pledged will fully fund the debt service after operational costs plus a margin estimated based on the volatility of the revenues pledged.

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 should be identified and set aside as reserved by purpose.