

APPROVED
BUDGET ADVISORY BOARD MEETING
CITY OF FORT LAUDERDALE
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FLORIDA, 33301
JUNE 18, 2014 – 6:00 P.M.

Board Member	Attendance	10/2013 through 9/2014	
		Cumulative Attendance Present	Absent
June Page, Chair	P	8	0
Drew Saito, Vice Chair	P	7	1
Chip Burpee	P	6	2
Josias Dewey	P	7	1
Nadine Hankerson	P	3	5
James McMullen	P	7	1
Fred Nesbitt	P	8	0
Robert Oelke	P	8	0
David Orshefsky	P	3	0
Bryson Ridgway	P	5	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
John Herbst, City Auditor
Lee Feldman, City Manager
Charmaine Eccles, Budget Department and Board Liaison
Paul Vanden Berge, Fire Rescue Department Budget Coordinator
Jamie Opperee, Prototype Inc.

Communications to the City Commission

Motion made by Mr. Dewey, seconded by Mr. Saito, to state that the BAB envisions the City will have significant infrastructure and capital needs in the immediate future. We anticipate these needs will be identified in the City's studies and we will need to raise revenue from a variety of sources, which may include increasing the millage rate. In a voice vote, motion passed unanimously.

Motion made by Mr. Nesbitt, seconded by Mr. McMullen to recommend the City Commission adopt the Financial Integrity Principles and Policy as presented to the Board. In a voice vote, motion passed 9-1 with Mr. Oelke opposed.

Motion made by Mr. Dewey, seconded by Mr. Ridgway to state that the BAB recommends the City Commission support and pursue the 1% sales tax to be earmarked for infrastructure. In a voice vote, motion passed 9-1 with Mr. Oelke opposed.

Motion made by Mr. Orshefsky, seconded by Mr. Saito, to state that the BAB reiterates its support for the City's fiscal approach of a structurally balanced budget. In a voice vote, motion passed unanimously.

Motion made by Mr. McMullen, seconded by Mr. Orshefsky to state that the BAB is in general agreement with the City Manager's proposed budget to the City Commission. In a voice vote, motion passed unanimously.

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 6:05 p.m.

2. Roll Call

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

3. Approval of Meeting Minutes

A. April 2014 Regular Meeting

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

4. Public Input

None.

5. Old Business

A. Alternative Funding Sources for Capital Improvements

Chair Page asked what message the Board wanted to send the City Commission regarding their funding sources discussions.

Motion made by Mr. Dewey, seconded by Mr. Saito, to state that the BAB envisions the City will have significant infrastructure and capital needs in the immediate future. We anticipate these needs will be identified in the City's studies and we will need to raise revenue from a variety of sources, which may include increasing the millage rate. In a voice vote, motion passed unanimously.

B. Financial Integrity Principles and Policy

Mr. Oelke wished to use the term expenses instead of expenditures to include the full range of costs and expenses the City was incurring when looking at the structurally balanced budget. Mr. Oelke was concerned about not considering depreciation and wearing out of capital assets. Mr. Saito remarked that the BAB was not in a position to make accounting changes. Mr. Hawthorne stated in the future, staff wanted to bring the Board the policies that supported these principles for their feedback. Ms. Logan-Short explained that in governmental accounting, expenditures related to governmental-type funds and expenses related to things such as water, sewer and proprietary funds.

Mr. Oelke pointed out that the debt limit had been increased to \$1.25 billion. It was currently too low at \$125 million, but this represented a tenfold increase. Mr. Orshefsky wanted to know if this limit was a standard. Mr. Oelke stated this figure was much higher than other cities in Florida of similar size. Ms. Logan-Short said the City did not currently have a formal debt policy; they were in the process of developing one.

Motion made by Mr. Nesbitt, seconded by Mr. McMullen to recommend the City Commission adopt the Financial Integrity Principles and Policy as presented to the Board. In a voice vote, motion passed 9-1 with Mr. Oelke opposed.

6. New Business

A. City Manager's FY 2015 Preliminary Budget

Mr. Feldman provided an overview of the preliminary budget revenue changes:

- Property values increased 6.16%, \$5.6 million in new revenue due to improvement in the overall economy and new projects being added to the tax roll
- \$3.5 million in new spending, much of which was personnel costs
- \$6.9 million capital projects in the General Fund
- \$2.1 million increase in sanitation franchise fees
- \$1.1 million additional revenue from more internal chargebacks on engineering costs
- \$1.9 million less from red light camera revenue

Regarding expenditure changes:

- \$1.5 million in contractual changes tied to union contracts
- \$310,000 increase in pension expenses not related to POBs
- \$1.7 million increase in internal charge for insurance premiums
- \$900,000 increase in Sanitation Fund transfer
- \$500,000 increase for elections

- \$350,000 increase in grant awards

Mr. Feldman described the following proposed new spending and personnel hires:

- 1 Senior Auditor in the City Auditor's office
- 1 Fundraiser in the City Manager's office Public Affairs division
- 1 Treasurer and 1 Procurement Specialist in Procurement
- \$720,000 for new equipment in Fire Rescue
- 7 ½ new lifeguard positions to protect beach during all daylight hours
- 1 part time Administrative Assistant and 1 Employee Relations Manager in Human Resources
- Several maintenance position in Parks and Recreation
- 2 Recreation employees in Parks and Recreation
- 1 Homeless Activity Coordinator
- 3 new Park Rangers to be present on the beach during all daylight hours
- 3 new officers in the Police Department and creation of a 10-officer Public Place unit
- \$100,000 grant to the DDA to help fund the Ambassador Program
- \$42,800 for replacement of 2 Marine Unit boat engines
- Reclassification to a DNA technician to work on the City's DNA issues at BSO
- 1 Administrative Assistant in Public Works
- 2 temporary Beach Project Managers in Public Works - funded through Beach CRA proceeds
- Clerical staff in Sustainable Development
- 1 Transportation Planner and 1 Administrative Aide in Transportation and Mobility

This represented 32 new positions in the General Fund and \$3.6 million in new spending.

Additional new expenditures included:

- 1 new financial management employee in the CRA
- 5-year spending enhancement in the Northwest area funded through the CRA
- 2 new Safety Coordinators for Building Inspectors and an Assistant Building Official in the Building Fund
- Accreditation costs and technology upgrades in the Building Department
- 1 additional Beach Foreman in the Sanitation Fund
- 12 part time street sweeping crew and 1 permanent Foreman in the Sanitation fund
- Street Sweeping and pressure washing equipment in the Sanitation Fund
- 1 new position and technology enhancements in the Utility Fund
- Additional Project Managers and Engineering Inspectors in the Water and Sewer Fund
- 3 crew members to address manhole issues in the Water and Sewer Fund

- 2 additional Water Plant operators
- Reclassify 4 Enforcement Specialists to full time In the Parking Fund
- 2 new part time Meter Technician trainees
- 1 new Assistant Manager for FXE In Transportation and Mobility
- 1 new Senior Accounting Clerk and an online benefits enrollment system in the Self Insurance Fund
- 1 Budget Coordinator in IT
- Expand FXE Emergency Operations Center
- Purchase of IBM Police Predictive programming
- Install GPS in fleet vehicles in the Vehicle Rental Fund
- 1 Environmental Sustainability Management System Coordinator in the Vehicle Rental Fund

Mr. Feldman described proposed General Fund projects for FY 2015-2016:

- NE-NW 4 Street improvements needed to accommodate All Aboard Florida train station
- Coconut Isle bridge
- Continuation of Downtown walkability
- Canal dredging/waterway survey
- Neighborhood traffic calming
- Downtown wayfinding
- Bridge Restoration
- Marine facilities
- New Riverwalk Park improvements
- SE-SW 6 Street corridor improvements for pedestrian street near courthouse
- Las Olas Blvd. safety improvements
- South Middle River project

Mr. Saito asked about the Self Contained Breathing Apparatus for firefighters. Mr. Feldman stated they had applied for a grant and would know if they would receive it in spring 2015. Mr. Orshefsky asked if a reserve fund could be set up to anticipate replacing mission critical equipment. Mr. Feldman stated if there were massive failures mid-year, they could lease equipment.

Mr. Ridgway asked the process for determining how to manage resources and hire new employees. Mr. Feldman said it was partly dictated by level of service they wished to provide. He stated when a position became open, the department analyzed whether the position was still necessary or if a different position might be needed.

Mr. Orshefsky asked if the businesses that benefited from the commitment to public spaces could contribute to offset the costs. Mr. Feldman reported there was a Beach Business Improvement District [BID] and this already paid for additional cleaning in their

area. They had spoken with other groups about voluntarily forming another BID but there had been no activity on it.

Ms. Hankerson appreciated the new spending for staff training but felt it was limited. Mr. Feldman reported a new Training Coordinator had started in March.

Mr. Saito remarked that Fort Lauderdale public schools were “not great” and people were moving or putting kids in private schools. He wondered if the City could do something to improve the situation. Mr. Feldman countered that the public schools did not have the “reputation” of being great but this was not true; kids came from all over the County to attend Fort Lauderdale High School and the success of Dillard Elementary was being emulated in western schools. He noted the City was very limited in what it could do, and informed the Board that the City had an Education Advisory Board dedicated to school issues.

Mr. Orshefsky recalled the presentation from Burton and Associates and asked if Mr. Feldman would recommend changing the level of unrestricted reserves. Mr. Feldman reported they were committed to not falling below 17% and they would finish this year at 20%. He recommended not drawing down on the fund balance. Mr. Orshefsky asked how they could start allocating funds on an annual basis to replace capital assets. Mr. Feldman stated the five-year CIP had begun this: he had included \$1 million per year for facility renovations and \$750,000 per year to put aside for bridges. Mr. Feldman hoped the Board would recommend that the 1% put away for capital projects needed to be higher. He estimated they would need a 2.5% contribution per year and was confident they could achieve this.

Mr. Nesbitt asked about funding for a new City Hall, Police station and a joint Fire/Police training facility. Mr. Feldman replied that they must identify a dedicated source of funding for the City Hall and Police station. He explained that part of community colleges’ charter in Florida provided for them to set up law enforcement and public safety training centers.

Mr. Nesbitt asked Mr. Feldman’s opinion of the Board recommending a millage increase specifically earmarked for rebuilding the City’s infrastructure and Mr. Feldman stated he thought the City Commission should consider this, but they likely would not do it this year. Mr. Feldman remarked there were several other cities in the same situation in the County and suggested a 1% infrastructure sales tax. It was estimated that an additional 1% sales tax would generate \$17.5 million per year. He explained that if the County Commission did not put it on the ballot, if cities recommending a majority of the population of the County passed identical resolutions, the County Commission must put it on the ballot.

Mr. Feldman explained that some cities were not decreasing their debt service millage rate as property values rose; any additional revenue could be used for capital projects.

Mr. Oelke remarked that the sales tax was a regressive tax that would put more of a burden on lower income residents. Mr. Ridgway stated people from outside the City would also be contributing to the sales tax.

Motion made by Mr. Dewey, seconded by Mr. Ridgway to state that the BAB recommends the City Commission support and pursue the 1% sales tax to be earmarked for infrastructure. In a voice vote, motion passed 9-1 with Mr. Oelke opposed.

B. Recommendations to City Commission on FY 2015 Proposed Budget
Motion made by Mr. Orshefsky, seconded by Mr. Saito, to state that the BAB reiterates its support for the City's fiscal approach of a structurally balanced budget. In a voice vote, motion passed unanimously.

Motion made by Mr. McMullen, seconded by Mr. Orshefsky to state that the BAB is in general agreement with the City Manager's proposed budget to the City Commission. In a voice vote, motion passed unanimously.

C. Term Limits Extension
Discussion tabled to the next meeting.

7. Communications to the City Commission

Discussed earlier.

Other Discussion Items and Announcements

Ms. Smith agreed to determine possible dates for the Board's next joint meeting with the City Commission.

8. Adjourn

Upon motion duly made and seconded, the meeting was adjourned at 8:44 p.m.

Documents Attached:

FY 2015 Preliminary Budget Estimates

Financial Integrity Principles and Policies draft document

Mr. Orshefsky's suggestions for BAB budget recommendations

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

General Fund
FY 2015 Preliminary Budget Estimates
As of June 18, 2014

Preliminary Revenue	\$293,831,893
<u>Preliminary Expenditures</u>	<u>\$293,765,001</u>
Preliminary Surplus	\$66,892

What's Included?

Estimated % Increase in Taxable Property Valuation - 6.16%
Funding for New Programming (Budget Modifications & Capital Outlay) - \$3.5MM
Funding for Community Investment Projects (CIP) - \$6.86MM

Highlights of Revenue Changes

Increase in Property Tax Revenue - \$5.6MM
Increase in Fire Assessment Fees - \$430k
Increase in Utility Taxes - \$550k
Increase in Engineering Chargebacks - \$1.1MM
Increase in Sanitation Franchise Fees - \$2.1MM
Increase in Code Enforcement Board Fines - \$260k
Increase in Property Leases - \$500k
Decrease in Communications Services Tax - (\$425k)
Decrease in Business Tax Revenue - (\$400k)
Decrease in Red Light Camera Revenue - (\$1.9MM)
Decrease in Vehicle Surplus Revenue (Auctions) - (\$200k)
Decrease in Intergovernmental Revenues - (\$700k)

Highlights of Expenditure Changes

Increase for "Contractual" Expenses - \$1.5MM
Increase for Pension Expenses (not related to POB) - \$310k
Increase for Insurance Premiums (reduced in FY 2013 & FY 2014) - \$1.7MM
Increase Transfer to Sanitation Fund - \$900k
Increase for City Clerk Elections - \$540k
Increase Funding for Grant Matches based on Award History \$350k
Decrease for Health Insurance Contributions - (\$528k)
Decrease in Vehicle Rental Fund (Fleet) Charges - (\$650k)

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. 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 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.

2014-06-16 DMO SUGGESTED BAB RECOMMENDATIONS

1 **Structurally Balanced Budget:** Reiterate support for the City's structurally balanced budget.

Financial Integrity Principles and Policies ("FIPP") 1G

2 **Unrestricted General Fund Balances:** Set a maximum target level for General Fund unrestricted fund balances to 17% of budgeted operating expenditures and required transfers. Amounts in excess of this target level shall be prioritized for use to fund capital expenditures.

FIPP 1F

3 **Capital Maintenance and Replacement:**

- Following identification of infrastructure needs by independent study, the implementation of renewal and replacement of the City's capital assets should be analyzed -- and if possible initially prioritized, to the extent practicable, using the capital asset methodology/matrix developed by the BAB

- Replacement of 'mission critical' capital and operational assets should be prioritized to ensure the City's ability to provide critical public services. Examples of 'mission critical' assets include items such as: Self Contained Breathing Apparatus used by the Fire Department; emergency communication equipment; and assets supportive of critical IT services. Funds identified for replacement of these 'mission critical' assets should be set aside as reserved by indentified purpose

FIPP 4E

4 **Capital Funding for Self-funding Facilities:** Funding and scheduling of CIP proposals shall, to the extent practicable, be prioritized to fund facilities which have the potential to be self-funding, or which can offset their capital costs with anticipated revenues. An example: a Public Safety Training Facility which can be shared between City departments, and which can recover costs through its rental/use by other governmental entities. See for example: Fire Rescue CIP Project #FY20130190

FIPP 4B