



Memorandum

Memorandum No: 24-17

Date: August 13, 2024

To: Patrick Reilly, City Auditor

From: Susan Grant, Acting City Manager *Susan Grant*

Re: Management Response - Review of the Proposed Budget for Fiscal Year 2024/2025

This memo is in response to the City Auditor's Office (CAO) review of the FY 2025 Proposed Budget. We would like to thank the City Auditor and his team for the important work that they do to validate that the budget is balanced, and that the City's millage rate follows Florida Statutes. Management has reviewed the areas of concern identified by the City Auditor and has provided responses to the concerns identified below:

Areas of Concern

The "Areas of Concern" are the items that do not impact our overall conclusion; however, they are important to consider for both the proposed budget and how it may impact the City in the next few years.

1. Enterprise Resource Planning (ERP)
 - Upgrades and updates are a normal part of Information Technology Operations (IT), and even though ERP funding seems appropriately budgeted, the CAO believes this is still an area of concern as there are associated costs to enhancing other software applications that work in conjunction with ERP. These upgrades/enhancements are not budgeted within ERP, but instead are budgeted in other areas, therefore not providing the consolidated true cost of ERP implementation.

For Example:

- More employees have been hired full time to address ERP concerns and implementation issues, which further adds to the overall cost.
- Continued issues with the payroll module remain, including, but not limited to, vacation and sick time tracking and accrual accuracy.
- Other shortcomings include the late production of financial statements for external audit

Management Response:

As the City transitions from ERP implementation to ERP optimization, the cost of

ad-hoc optimization services and the staffing adjustments needed to operationalize the system have become part of the City's regular operating budget. Budgeting for these items within the implementing departments ensures that resources remain dedicated to the need identified and that the department can easily manage the contracts from a financial and contractual perspective.

Management concurs that there have been additional costs outside of the original ERP budget due to unforeseen circumstances and complexities with the implementation phase. As issues are identified, management creates a strategic roadmap for how to address them. On a monthly basis, through the Executive Steering Committee meetings, management discusses issues with any project and addresses them accordingly.

2. Overtime

- The CAO notes a significant amount of City funds being allocated to overtime. In our review, overtime is consistently understated when compared to actual overtime incurred. To fill the actual overtime expense, what seems to be occurring is that budgeted vacancies, which are funded unfilled positions, and have been relatively unchanged over the years, are being used to pay for the increase in overtime. The overtime budgeted numbers should more accurately reflect what is needed.
 - See Exhibit 1: Police
 - See Exhibit 2: Fire
 - See Exhibit 3: All Departments

Management Response:

The City's overtime budget reflects the programmed level of overtime (e.g., spring break, holidays, summertime break, normal leave, etc.) with the assumption of budgeted positions being filled. In recent years, overtime expenditures have exceeded the budgetary allocation for a host of reasons including sustained vacancies, unanticipated retirements, deployment time of new recruits due to training, and unanticipated disasters like COVID and hurricanes. Since the primary driver of overtime has been staffing shortages, the City maintains the existing programmed level of overtime to prevent from inflating the operating budget by budgeting for both filled positions as well as vacancy driven overtime.

City Management in conjunction with the Police and Fire Rescue Departments monitors overtime on a quarterly basis. This quarterly review includes year-to-date actuals, five-year historic trends, current fiscal year projections, vacancies, and monthly overtime drivers - such staffing shortages, special events, and top earning employees. This targeted strategy has been effective with the Fire Rescue Department which is projected to end fiscal year 2024 within its overtime budget due to strategic efforts to fill vacancies and the deployments of the additional positions that were added over the last three years.

In FY 2025, the City will continue to prioritize filling vacancies through signing bonuses, advertising campaigns, and leasing a recruitment office for the Police Department. The Police Department has seen success this year in its recruitment strategies moving from 50 vacancies in sworn officers down to only 20. There is a lag in the time between hiring an officer and a reduction of overtime due to the extensive training required (police academy and on the job field training). However, with continued focus on offering competitive wages and benefits and removing barriers to hiring officers the City's Police Department is making great strides towards its goal of being fully staffed.

For ad-hoc occurrences, like watermain breaks, management evaluates the personnel services budget to see if it can be absorbed within current budgetary allocations; if the expenses cannot be absorbed, then management will communicate the necessary amount needed via a budget amendment clearly articulating the reason and issue that caused additional overtime.

3. Community Investment Plan (CIP)

- Regarding all construction projects in the CIP, it should be noted that the continued increase in inflation will also have an impact on the cost of materials and labor as the City proceeds with current and new projects. The potential increase is difficult to quantify; however, it should be strongly considered as a high likelihood of occurring. Hence, if current projects are delayed or there is a delay in new projects starting, this could potentially have a significant impact on City resources.

Some examples include, but are not limited to:

- Police Station
- Water Treatment Plant and Associated City Enabling Work

Management Response:

Management concurs that inflationary considerations will disproportionately impact capital projects as there is a timing delay between the initial project approval and the completion of the procurement process. Project managers carefully reviewed all existing CIP budgetary requests as a part of the budget development process and adjusted budgets, as needed, for any known - or anticipated - inflationary factors. The updated cost estimates represent the best estimation the City currently has, and these estimated costs have been included as part of the Proposed Community Investment Plan. This approach was shared in the FY 2025 Preliminary Budget Memo and the FY 2025 City Manager's Budget Message.

Management concurs that in the coming fiscal year, additional cost increases and project modifications are likely, but the impact will not be seen until projects are in the procurement stage. The City maintains a healthy fund balance, which staff will rely on, as needed, to fund costs beyond those incorporated into our CIP.

We will continue to support a comprehensive and transparent budget process in partnership with the City Auditor's Office and we look forward to the budget hearings scheduled for September 3rd and 12th, 2024.

- c: Anthony G. Fajardo, Assistant City Manager
- Laura Reece, Acting Assistant City Manager
- Ben Rogers, Acting Assistant City Manager
- Christopher Cooper, Acting Assistant City Manager
- Yvette W. Matthews, Acting Director of the Office of Management and Budget


CM Memo 24-121 Management Response - Review of the Proposed Budget for Fiscal Year 2024 - 2025


Final Audit Report

2024-08-13


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