

## Budget Statutes and Guidelines

There are a number of statutory requirements, internal policies, and other provisions that direct the development of the budget and its implementation throughout the year.

### STATE OF FLORIDA REQUIREMENTS

Florida Statutes, Chapter 166 – This statute authorizes municipalities to levy taxes, issue licenses, and set user fees to raise money necessary to conduct municipal government activities. This chapter also requires that local governments adopt a balanced budget. The tentative balanced budget must be posted on the municipality's official website at least 2 days before the budget hearing, held pursuant to s. 200.065 or other law, to consider such budget. The final adopted balanced budget must be posted on the municipality's official website within 30 days after adoption.

Florida Statutes, Chapter 200 – This statute establishes procedures for adoption of local government annual budgets and limits ad valorem taxes to 10 mills. This statute also requires that local governments appropriate a balanced budget in which anticipated revenues and expenses are equal. Failure to comply with the provisions of the statute could result in loss of state revenue sharing and/or ad valorem taxes.

Ad Valorem Taxes – The Property Appraiser provides an annual estimate of taxable property values for the preceding year. Based upon adopted millage rates, municipalities are required to budget 95% of the gross taxable value for operating purposes. The city typically budgets 97%. In FY 2004, the city's millage rate increased from 3.2 mills to 3.7 mills. This was the first millage rate increase since FY 1991. As a result of property tax reform legislation enacted by the Florida Legislature, the millage rate in the FY 2008 approved budget was reduced to 3.1686 mills. Due to the passage of Amendment 1 on January 29, 2008, the city's millage rate for FY 2009 was 3.2115 mills. In FY 2010, the City Commission voted to increase the millage rate to 3.7 mills. The FY 2016 approved budget included a millage increase from 3.7 mills to 4.2 mills and in FY 2017 the millage was reduced to 4.1 mills. For FY18, the millage remains at 4.1 mills.

Florida Statutes, Chapter 202 – The Communication Services Tax consolidates a variety of taxes formerly imposed on telecommunication, cable, home satellite and related services. Opting for the highest rate allowable by law, 6.1%, the City of Tallahassee is required to forego permit fee charges for use of city right-of-way.

Community Redevelopment Agency, Florida Statutes Chapter 163, City of Tallahassee Ordinance 00-O-51 and 04-O-60 To encourage economic development, the City Commission established a Community Redevelopment Agency (CRA) and designated an initial district (Frenchtown) of approximately 1,400 acres for redevelopment. A second district (Downtown) was approved in June 2004. Each CRA district is entitled to 95% of the ad valorem tax increment generated within the district and the proceeds may be used only for improvements in the district.

Downtown Improvement Authority, Florida Statutes Chapter 71-935 – Established by a special act in 1971, the Downtown Improvement Authority may levy an additional ad valorem tax, not to exceed one mill, on properties within the district. Proceeds are used for improvements in the district and are administered by a separate Board of Directors.

### INTERNAL POLICIES

Comprehensive Plan – The Tallahassee-Leon County 2010 Comprehensive Plan was originally adopted by ordinance in FY 1990 and is updated with biannual amendment cycles. The Plan includes capital improvements, transportation, historic preservation, utilities, recreation, and other elements which provide a framework for allocating budget resources. The Capital Projects Summary includes a listing of capital projects that address Comprehensive Plan initiatives by eliminating deficit levels of services or by maintaining existing levels of service.

Financing Policy, No. 224 Commission Policies – The financing policy establishes guidelines for distribution of year-end surpluses, transfers from the utilities to the General Fund, types and amounts of operating reserves, and funding for capital projects from undesignated fund balance year-end revenues. The policy also provides for full recovery of cost for enterprise funds, limits non-utility fee increases to a maximum of 20% per year unless otherwise approved by the City Commission; and allows discount fees for recreational programs for youth, seniors, and disabled citizens. The "Finance Policy Summary" chart shows the requirements of the policy as applied to each fund.

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Risk Management Policy/Self-Insurance, No. 214 Commission Policies – This policy creates an internal service fund for payment of anticipated claims and judgments for coverage areas defined in the policy. In addition, a special Insurance Reserve Fund is established and funded to meet unanticipated losses from catastrophic events or claims in excess of the Risk Management Fund. This reserve is set at 150% of the average claims for the past five years or \$3,000,000, whichever is greater.

Capital Project Management, No. 218 Commission Policies – This policy provides for preparation of an annual capital budget and for a five-year capital improvement plan. The policy also defines roles and responsibilities of city departments and management regarding contracts, supplemental appropriations, over expenditures, and project administration. The use of capital project overhead charges as an operating budget funding source also is established by this policy.

Local Option Sales Tax Management, No. 232 Commission Policies – This policy establishes the authority to provide advance funding for local Florida Department of Transportation (FDOT) projects for any project or phase of project included in the FDOT five-year work plan. It allows for advance funding without an agreement for repayment after conducting a public hearing. The policy also authorizes the use of short-term debt to cover cash flow shortages that may result from this practice.

Debt Management Policy, No. 238 Commission Policies – The debt management policy, along with an analysis of the city's compliance with the policy, is included in the capital budget summary and in the capital improvement plan. Section 104 of the City Charter also specifies that general obligation debt will not exceed 20% of the assessed taxable valuation. Florida Statutes require that general obligation bonds be approved by referendum. The city currently does not have any general obligation bonds.

Vehicle Replacement Reserves – Funding for replacement of vehicles is included on an annual basis in the capital budget. To fund the reserves, each department is charged in the operating budget for a proportionate share of these costs based on equipment usage.

### OTHER PROVISIONS

Bond Covenants – Prior to 1998, provisions of Bond Resolutions required that a minimum of 5% of prior year gross revenues be budgeted annually for Renewals, Replacements, and Improvements (RR&I) for system improvements in the utility enterprises. Covenants for the Energy System (electric and gas) bonds that were issued after 1998 do not specify an explicit amount or methodology but require a transfer to an RR&I fund.

Union Agreements – Currently, unions represent 677 FTEs (authorized positions). A total of 401 positions are subject to terms and conditions of the collective bargaining agreement with the Big Bend Chapter of the Florida Police Benevolent Association, Inc. and 276 positions are subject to terms and conditions of the collective bargaining agreement with the International Association of Firefighters (IAFF). The City Commission and police officers are currently in negotiations to establish a new three-year agreement, which is expected to be retroactively commenced on October 1, 2017 and extended through September 30, 2020. The IAFF ratified a new agreement on collective bargaining contracts for the existing firefighter unit (firefighters, fire engineers, and fire lieutenants) and the supervisory unit (battalion chiefs and captains), which was retroactively commenced on October 1, 2017 and extended through September 30, 2020.

Utility Rate Studies – Rate studies are prepared for each of the utility enterprise operations (electric and underground utilities). Revenue projections are prepared using historical weather patterns as well as other growth factors. These studies comprise the basis for the annual budgets for each of the utilities. Starting in October 2012, Water, and Sewer Utility rates increase annually by the CPI. This CPI increase methodology is the same for Electric, Natural Gas and Solid Waste rates. As of October 1, 2017 electric and natural gas rates remain below the state average.

Assessment and Fee Reviews – Fees and assessments are periodically reviewed to ensure recovery of costs to provide certain services. A cost of services study for the animal shelter was conducted in 2006, which recommended a plan to recover at least 50% of the operating costs through animal licensing fees, but this has not been implemented. The City Commission also increased building inspection fees in August 2009 to fully recover all eligible building inspection costs. Rates for electric, underground utilities and solid waste are set by ordinances which provide for annual increase based on the CPI. Updated Fire services fee were implemented on October 1, 2015.