FINANCIAL AND BUDGET POLICES

BUDGETING POLICIES

The process for preparing and adopting the Budget and levying a property tax rate is conducted in accordance with the provisions of Chapter 200 of the Florida Statutes and the City's Charter. Chapter 200, F.S., outlines the budget process beginning with the certification of taxable value in July by the County Property Appraiser. Setting the millage rate and adopting budget involves a formal process known as "TRIM" (Truth in Millage). "TRIM" formalizes the tax levying and budget adoption process by requiring a specific method of calculating the tax rate, the form of notification given to property owners, and public hearing and advertising requirements prior to the adoption of the budget and tax rate.

The City takes great pride in the amount of citizen and staff participation that occurs in the budget process. Staff members are provided with a "Budget Preparation Guide" which provides guidelines and instructions related to submitting operating budgets, CIP items and Recommendations. Once staff has completed their departmental assignments, the staff liaisons to various boards meet to discuss the prioritization of various projects with the respective boards. Below is a calendar, which outlines the public process used in developing the budget.

BUDGET CALENDAR

Nov-Dec 06	Individual Boards and Committees met to develop CIP items and update master plans
April 2007	Staff developed CIP Draft based on recommendations from Boards and Committees
April 19 2007	FY 08-12 CIP Workshop with Planning and Zoning
May 3 2007	FY 08-121 CIP Public Hearing with Planning and Zoning
June11, 2007	Council held first Public Hearing on the proposed 08-12 CIP and authorized staff to submit the draft document to the State
July 9, 2007	Cultural Group Presentations
July 16, 2007	General Fund Budget Workshop
July 23, 2007	Workshop prior to Council Meeting. Discussed big picture including Personnel costs, revenues, and fund balance. Set the tentative millage rate during Council Meeting
Aug 27, 2007	Enterprise Fund & Miscellaneous Budgets Workshop
Sept 10 2007	Held the first Public Hearing on the FY 07 Budget & millage rate, and adopted the FY 08-12 CIP.
Sept 24 2007	Adopted the 08 Budget & millage rate.

BUDGET AMENDMENTS

For the purposes of budgeting, the City defines a balanced budget as occurring when the total sum of money a government collects in a year is equal to the amount it spends on goods, services, and debt interest. Policies regarding Budget Amendments are as follows :

- The City Council may make supplemental appropriations in excess of those estimated for the year up to the amount of available resources.
- The City Manager is authorized to transfer part or all of an unencumbered appropriation balance among programs within a fund, and upon written request by the City Manager, the City Council may authorize the transfer of part or all of any unencumbered

appropriation balance between funds. The level of classification detail at which expenditures may not legally exceed appropriations is by fund.

- All appropriations lapse at the close of the fiscal year, to the extent that they are not encumbered or expended.

POLICY/INFORMATION TRANSMITTALS (Policies)

In addition to the previously stated policies, the City maintains a separate document, which establishes specific budgeting policies and practices, and tracks the impact of these policies. The complete document is available for review, but the following highlights some of the key areas:

- Policy 1993-5 established a self-insurance account designed to replace certain maintenance contracts previously maintained by the City. The policy has saved the City $181K in contract maintenance expense over the fifteen fiscal years from 1992 through 2006.
- Policy 1993-8 creates a budgeting strategy and tracking mechanism for funding the City's portion of the Police Officers' and Firefighters' Pension Fund annual requirements.
- Policy 1994-3 set the methodology for establishing the annual amount of transfer from the Solid Waste Fund to the General Fund. The 2007-budgeted amount for the transfer is $269K.
- Policy 1997-1 established desired levels for certain Fund Balance *Designations* and how the City will budget to replenish those *Designations*.
- Policy 1999-3B established guidelines for budgeting personnel costs.
- Policy 2000-2 states that the City Manager will notify the Council when a project's estimated cost exceeds 115% of the approved budget estimate.
- Policy 2001-1, established an accounting procedure to receive Federal Equity Sharing Funds. The purpose of this federal program is to deter crime by depriving criminals of the profits and proceeds of their illegal activities.
- Policy 2003-1 - Establishes an annual carry forward of City Wide Radio Contingency – Establishes a policy to carry forward unspent budgeted funds related to the citywide radio contingency fund. Additionally this allows the City to begin a savings program for replacement of the system in the future.
- Policy 2004-1 - clarifies handling of funds budgeted for the Westside Complex debt service.
- Policy 2005-1 addresses short-term internal financing pending long term financing related to City Space Needs and Down Town Maitland.
- Policy 2007-1 institutes a variable rate user fee for the Fire Rescue Department to charge in instances where emergency responders arrive on-scene and services are provided.
- Policy 2007-2 relates to the City's Self Insurance Fund and establishes a procedure for allocating premiums, administrative fees and losses to various operating budgets within the City, as well as budgeting for potential losses.
- Policy 2007-3 establishes a procedure for budgeting capital replacement of major building components (namely roof and HVAC replacement).
- <u>New this year</u> : Policy 2008 - 1 establishes the redistribution of non-vested 401(a) contributions from the forfeiture account, back into the 401(a) pension plan for eligible employees.

ACCOUNTING PROCESS

The financial and budget policies of the City conform with Generally Accepted Accounting Principles (GAAP) as applicable to government units. The following is a summary of the more significant policies.

FUND STRUCTURE

The accounting system of the City is organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. Examples of these funds included in this document are the Parks Trust Fund, , Community Redevelopment Agency, and Road Impact Fee Fund. Fire Impact Fee Fund, Law Enforcement Trust Fund, Fire/ Rescue Trust Fund, & Tactical Response Team Trust, are other examples that can be found in the CAFR.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources earmarked for the acquisition and construction of major capital facilities and other project oriented activities (other than those financed by proprietary funds). The Downtown Space Needs Fund is an example of a capital projects fund.

Debt Service Fund - Debt Service Fund accounts for the accumulation of resources for a payment of interest and principal on general long-term debt.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains two such Funds, the Solid Waste Fund and the Utilities Fund.

Trust Funds

Trust Funds - Trust Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, and/or other governmental units. There is one defined benefit pension fund, the Police Officers and Firefighters' Pension Trust Fund, for which a formal budget is not prepared. The City's contribution to this fund is budgeted in the Police and Fire Departments.

BASIS OF ACCOUNTING & BUDGETING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The modified accrual basis of accounting is followed for all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, local option gas tax, utility taxes, sales taxes, and interest. Expenditures are generally recognized when the related fund liability is incurred. The exception to this rule is principal and interest on general long-term debt which are generally recognized when due.

Proprietary and Pension Trust Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

There is no requirement that the City of Maitland's budget be prepared consistent with GAAP. However, the comparison of (final) budget to actual revenues and expenditures in a subsequent Comprehensive Annual Financial Report (CAFR) requires a reconciliation of the budget to GAAP. Therefore, the City budget is prepared for the most part, to be consistent with GAAP to minimize the degree of reconciliation needed to compare the budget to actual expenditures.

Property Taxes

Ad valorem taxes are levied each November 1 based upon valuations as of the preceding January 1. They are due the following April 1, after which time penalties accrue, and liens are placed through sales of tax certificates during the third week of the following May. The taxes are collected by Orange County and remitted periodically to the City. The City recognizes ad valorem revenues in the fiscal year during which they are levied, to the extent collected within 60 days after year-end.

Compensated Absences

It is the City's policy that each full-time employee with less than five years of service will accrue fifteen days of personal leave; employees with five through nine years of service will accrue twenty days of personal leave; and employees with ten or more years of service will accrue twenty-five days of personal leave. Also, police officers and firefighters receive 80 hours of personal leave in lieu of holidays. Employees are allowed to carry over from one year to the next up to one and one-half years of accrued personal leave without City Manager approval. Employees who leave the City service are entitled to receive any accrued personal leave at the time of separation. Employees also accrue non-vesting sick leave at the rate of ten days a year. In specific instances, personal leave must be used before sick leave is used.

Compensated absences are accrued as an expense and as a liability in the proprietary funds when incurred. In the governmental funds, compensated absences are recorded as an expenditure when the liability is normally liquidated with expendable available financial resources. For financial reporting purposes, the City has established that, under the current-payment cycle approach, if a liability incurred during the current year is expected to be liquidated during the following year, it is considered a current liability. Compensated absences that exceed this amount are recorded in the General Long-Term Debt Account Group and are not recorded as expenditures.

DEBT OBLIGATIONS AND COMMITMENTS

The governing body of every municipality may borrow money, contract loans, and issue bonds as defined in Florida Statute 166.101 from time to time to finance the undertaking of any capital or other project for the purposes permitted by the State Constitution and may pledge the funds, credit, property and taxing power of the municipality for the payment of such debts and bonds.

During FY 02, the City borrowed $4M in December 2001 to partially fund the land purchase and improvements to the municipal complex at Keller Road. The complex includes a public works facility, equipped with a garage and fueling center, as well as the west side fire station and additional space set aside for recreational use. The City re-financed this loan as part of the single plan of finance for space needs.

In July 2004, the voters overwhelmingly approved a tax levy of up to 1/2 mill per year to support the City's single plan of finance for the new Public Safety Building, City Hall, and re-financing of the above mentioned Westside facilities. In accordance with the referendum, GO bonding will be restricted to no more than $18.5 million via bond issues that do not exceed 30 years in length. The annual levy is limited to no more than 1/2 mill. In July 2005, the City issued a $15,775,000 bond, Limited Tax General Obligation Bond Series 2005. The remaining bond issue of $2.75M is expected to occur in FY 08.

On December 20, 2005, the City issued $13,865,000 in Redevelopment Revenue Bonds secured by tax increment revenue and a convenant to budget and appropriate. This borrowing along with grant funding, was the primary funding mechanism for the Maitland Boulevard off-ramp, the extension of Sybelia Parkway (Swoope Avenue) , and the construction of a regional stormwater pond.

The Enterprise fund retired its only revenue bond in FY06. New financing through the State Revolving Fund is anticipated during FY 08 to cover costs associated with implementation of the Sewer Master Plan. Expected borrowing for FY 08 is $4.5M and will fund projects planned for FY 2008 & 2009.

Debt Management Policy

The City has a comprehensive debt management policy. The following affordability targets have been set:

1. The City shall use an objective analytical approach to determine whether it can afford to assume new debt beyond what it retires each year. This process shall compare generally accepted standards of affordability to the appropriate current values for the City. Such standards shall be considered separately, as indicated in the specific circumstances, for enterprise and general long-term debt and shall include, but not be limited to the following:
   - Net outstanding debt per capita is less than 15% of per capita personal income;
   - Outstanding general obligation debt is less than 1% of taxable property values;
   - Total annual debt service requirements do not exceed 10% of related current operating expenditures for general long-term debt or 10% of pledged revenues for enterprise debt; and,
   - Overlapping net general obligation debt of all local taxing jurisdictions.
2. The analytical process shall also examine the direct capital and operating costs and benefits of the proposed project. Such analysis shall be prepared for no less than the period of time for which the related debt is expected to be outstanding.
3. Before issuing general obligation debt, the City shall consider all other financing alternatives or funding sources including non-debt financing. Use of general obligation debt shall be limited to projects providing community-wide benefit and under the following non-inclusive conditions:
   - Catastrophic or emergency conditions threatening the health, safety or welfare of the City or any of its residents or property owners;
   - If the project to be financed will generate positive net revenues within the first five years after completion and for every year the bonds are outstanding after annual debt service requirements are met;
   - The project will significantly reduce City operating costs;
   - An equal or greater amount of non-City matching funds will be lost if City funds are not applied in a timely manner; or,
   - The project provides essential City services or would advance core City policy objectives that its value overrides the value of obtaining voter approval.
4. For revenue bonds, revenues, as defined in the authorizing ordinance or resolution, shall be a minimum of 150% of the average annual debt service (ADS) and 125% of the maximum annual debt service (MADS) for financial planning purposes. Annual adjustments to the City's rate and/or fee structures will be made as necessary to maintain coverage factors of 125% of the ADS and 110% of the MADS.
5. The decision to assume new debt shall be based on the above noted costs and benefits, current conditions of the municipal bond market, and the City's ability to support new debt as determined by the above noted standards.
6. The City shall strive to achieve/maintain these standards at a low to moderate classification.

Limited Tax General Obligation Bonds—Series 2005

The General Obligation Bonds are supported by a voter approved tax levy not to exceed .5 mills. The bonds are for 30 years at an all-in True Interest Cost 4.49%.

General Obligation Bonds—Series 2005 Amortization Schedule			
Fiscal Year	Prin	Int	Total
2008	315,000	582,470	$ 897,470
2009	325,000	573,020	$ 898,020
2010	335,000	563,270	$ 898,270
2011	345,000	553,220	$ 898,220
2012	355,000	542,008	$ 897,008

Redevelopment Revenue Bonds

The Redevelopment Revenue Bonds are secured by tax increment revenue and a covenant to budget and appropriate; $840,000 were issued as serial bonds and $13,025,000 as term bonds. The serial bonds carry interest rates of 3.75% to 4% and mature between July 1, 2011 and July 1, 2015. The term bonds are divided into five lots with $545,000 paying 4% due on July 1, 2017, $1,095,000 paying 4.25% due on July 1, 2020, $2,695,000 paying 4.5% due on July 1, 2025, $4,095,000 paying 4.625% due on July 1, 2030, and $4,595,000 paying 5% due on July 1, 2034.

Redevelopment Revenue Bond—Series 2005 Amortization Schedule			
Fiscal Year	Prin	Int	Total
2008		641,944	$641,944
2009		641,944	$641,944
2010		641,944	$641,944
2011	115,000	641,944	$756,944
2012	140,000	637,344	$777,344

Commitments

The City is committed under inter-local agreements as follows:

Iron Bridge

The City has entered into an inter-local agreement with the City of Orlando, Florida for participation in the regional sewage treatment plant at Iron Bridge. The City is funding a proportionate share of operations annually.

South Seminole-North Orange County Wastewater Transmission Authority (SSNOCWTA).

In connection with the Iron Bridge facility, the City also participates in the South Seminole - North Orange County Wastewater Transmission Authority. The Authority is empowered to issue revenue bonds to provide for construction of transmission mains to the regional sewage treatment plant. The City is obligated to fund its proportionate share of the Authority's operations and debt service on the basis of committed capacity (FY2008, $116,509). Additionally, the City must reimburse the operators for a proportionate share of maintenance and operating expenses of the plant and transmission lines. The City's projected FY 2008 O&M expenses for SSNOCWTA is $54,000.

PENSION OBLIGATIONS

General Employees Pension Plan

All employees hired prior to January 1, 1996, except for police officers and firefighters, participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer public employee retirement system (PERS), administered by the Florida Department of Administration. General, full-time, employees hired on or after January 1, 1996, participate in a defined contribution retirement plan established under section 401A of the IRS code and administered by the International City Managers Association. Retirement Corporation (ICMA-RC).

Approved in FY 07, the City continues to make a contribution of six percent for each eligible employee. The General Fund budget for 401A is 131K.

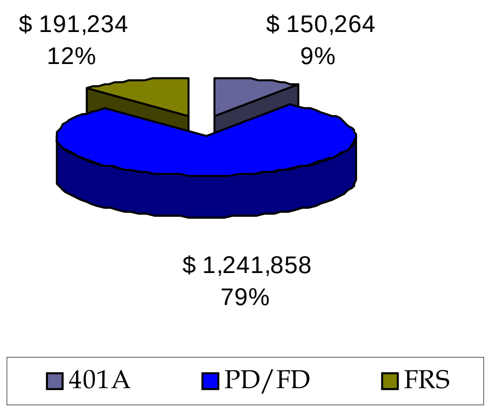
Pension Trust Fund

The City administers a single employer defined benefit pension plan for the benefit of its police officers and firefighters. The Municipal Police Officers' and Firefighters' Pension Trust Fund (the "Plan") was created by ordinance October 1, 1980 in a merger approved by the State of Florida of two pre-existing pension funds.

All full-time and volunteer firefighters and sworn police officers participate. The Plan provides for normal retirement at age 55 and 10 years of credited service or the completion of 20 years of credited service. Eligibility for early retirement is age 50 and 10 years of credited service. Benefits fully vest after 10 years. The Plan also provides for disability retirement and a death benefit.

Employees not eligible for the normal retirement are required to contribute 1.7% of their annual salary. All other members are required to contribute 4.7% of their annual salary. Additional funding is provided by contributions from the State of Florida from fire and casualty insurance premium taxes. The City is required under Chapters 175 and 185 Florida Statutes and City Ordinance #564, to contribute the remaining amounts necessary to pay benefits when due. The combined Police and Fire budgets for this contribution totals $1.2M for FY 2008.

FY 08 Pension Costs



MAITLAND
A COMMUNITY FOR LIFE

Page intentionally left blank