

## ***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 of the millage rate and 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***

<b>Nov-Dec</b>	<b>Various Boards and Committees met to discuss individual CIP items</b>
<b>Feb</b>	<b>Council held joint workshop with Boards and Committees to refine and formalize Essential Priorities for FY04 Budget</b>
<b>Mar</b>	<b>Staff developed CIP Draft based on Recommendations from Boards and Committees and the agreed upon Essential Priorities of the City</b>
<b>May 2</b>	<b>Planning and Zoning Commission held a workshop on the CIP Draft</b>

<b>May 16</b>	<b>Planning and Zoning Commission held a public hearing on the 2004-2008 CIP</b>
<b>June 10</b>	<b>Council held a public hearing on the CIP Draft</b>
<b>July 8</b>	<b>General Fund Budget Workshop</b>
<b>July 29</b>	<b>General fund Workshop/Set tentative Ad Valorem rate</b>
<b>Aug 12</b>	<b>Enterprise Fund Budget Workshop</b>
<b>Sept 9</b>	<b>First Reading General Fund Budget, Adopt CIP</b>
<b>Sept 23</b>	<b>Council adopted Final Budget</b>
<b>Oct 21</b>	<b>TRIM package submitted to Department of Revenue</b>

### **BUDGET AMENDMENTS**

- 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 \$136K in contract maintenance expense over the eleven fiscal years from 1992 through 2003.
- 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 2003-budgeted amount for the transfer is \$249K.
- Policy 1997-1 established desired levels for certain Fund Balance *Designations* and how the City will budget to replenish those *Designations*.

The policy covers replenishment of *Designations* for:

Emergencies/Disasters	\$1,685,000
Matching Grants	200,000
Operating Contingencies	150,000

- 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 - is new, and clarifies handling of funds budgeted for the Westside Complex debt service.

## ***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 include the Parks Trust Fund, Fire Impact Fee Fund, Law Enforcement Trust Fund, Community Redevelopment Agency, and Road Impact Fee Fund.

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 Parks Master Plan Fund and the West-side Municipal Complex Fund are examples of capital projects funds.

Debt Service Fund - Debt Service Fund accounts for the accumulation of resources for and 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 will include 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.

In addition to the above mentioned bank loan, the City maintains a light debt load, in the Utilities Fund. Payments associated with the outstanding revenues bonds will conclude in FY 06.

### ***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.

**Bank Loan - General Fund**

The City's bank loan is backed by a covenant to budget and appropriate any legally available revenues of the City, is for 15 years at an average interest rate of 4.161%. Total principal outstanding on the loan is \$3,660,000 as of September 30th, 2003. At the request of the City

Council and Finance Committee, the loan is being internally amortized on a ten-year schedule. The annual impact to the

<b>Amortization Schedule</b>			
<b>Fiscal Year</b>	<b>Prin</b>	<b>Int</b>	<b>Total</b>
2004	220,000	136,990	\$ 356,990
2005	225,000	136,016	\$ 361,016
2006	225,000	134,300	\$ 359,300
2007	235,000	124,631	\$ 359,631
2008	245,000	114,538	\$ 359,537

budget is \$494K.

**Revenue Bonds Payable-Utilities Fund**

All revenues of the system may be used to pay the principal and interest on outstanding bonds. There are two outstanding bond series, which were initiated in 1966 and 1970, with the most recent series maturing in 2006. The total principal currently outstanding on these bonds is \$198,000. Debt service on the bonds in FY 2004 is \$114,285.

<b>Amortization Schedule</b>					
<b>Fiscal Year</b>	<b>66 Prin</b>	<b>70 Prin</b>	<b>66 Int</b>	<b>70 Int</b>	<b>Total</b>
2004	58,000	45,000	2,985	8,300	\$ 114,285
2005	-	45,000	-	5,150	\$ 50,150
2006	-	50,000	-	2,000	\$ 52,000
2007	-	-	-	-	\$ -
2008	-	-	-	-	\$ -

**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 (FY2004, \$110,164). 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 2003 O&M expenses for SSNOCWTA is \$53,970.

## ***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). Under this plan each eligible employee is required to contribute five percent of their salary with the City making a matching contribution of five percent. The five percent match is budgeted at \$109K in FY 04.

### **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 are \$685K in FY 2004.