CITY OF ST. PETERSBURG ADMINISTRATIVE POLICY # 040101
SUBJECT: Fiscal Policies/Operating APPROVAL: David J. Fischer, Mayor
EFFECTIVE DATE: 5/17/99 REPLACES POLICY DATED:_________

Synopsis: This policy outlines the policies for budgeting and accounting for revenue and requirements, and providing adequate fund balances in the City's various operating funds. This section includes several references to capital project funding in relation to the amount and type of support to be provided by the operating funds.

Policy:

A. <u>**ALL FUNDS**</u>

1. **Revenue**

a. Revenue projections will be based on an analysis of historical trends and reasonable assumptions of future conditions.

b. Revenue estimates will be made on a reasonably conservative basis to ensure that estimates are realized.

c. The operating budget will be prepared based on 96% of the certified taxable value of the property tax roll.

d. The City will not use long-term debt to finance expenditures required for operations.

e. As a general rule, operating budgets will be balanced using current year revenues to finance current year expenditures. Minimum fund balances shall not normally be budgeted as a resource to support routine annual operating expenses. However, balances exceeding the policy targets may be budgeted as a resource to support capital, debt, or extraordinary major maintenance needs on a non-recurring basis, or for specific purposes, as designated.

2. **Requirements (Including Expenditures, Encumbrances, And Transfers)**

a. Normal maintenance requirements necessary to sustain the basic asset value will be included in the budget of the proper operating fund.

b. Contractual obligations required by labor agreements and compensation plans for employees will be included in the budget or provided for through supplemental appropriations, dependent upon available funds.

c. Funding will be provided for major improvements and automation of services based on multiple-year planning and appropriate cost benefit analysis.

d. Future capital improvement requirements and equipment replacement will be included in operating plans requiring such reserves as may be necessary. The annual amount set aside to provide reserves for future capital requirements will be tailored to the needs of the specific operation, if not established by bond resolution, and will be above the normal fund balance.

3. Fund Balance

a. Maintaining an adequate fund balance is essential. A fund balance will be considered appropriate in the amount of 5% of the current year's operating appropriations for the General Fund, 2 % for other governmental operating funds, and 10% of the current year's operating appropriations for the Enterprise Operating Funds. Targets for Internal Service Fund balances will be established individually, based on the needs of each internal service operation.

b. Amounts above those indicated in paragraph 3.a. may be designated within the fund balances for specific purposes, as recommended by the Mayor and approved by City Council.

c. The balances of each fund will be maintained by using a conservative approach in estimating revenues and by ensuring that expenditures do not exceed the appropriations.

d. Any anticipated deficit at year end, will be provided for in the current year's transfers, unless it can be eliminated from operating results within the first three months of the fiscal year.

B. SPECIFIC GUIDELINES FOR INDIVIDUAL FUNDS

1. General Funds

a. It is the objective of the City to pay operating expenses of the General Funds from sources other than Ad Valorem taxes. Only when non-Ad Valorem tax sources of revenue are inadequate to support services at desired levels should Ad Valorem taxes be considered for assessment. Ad valorem taxes and payment-in-lieu-of-property-taxes shall be earmarked to support the City of St. Petersburg Police and Fire departments.

b. Service charges and fees for all General Fund services will be analyzed to ensure an appropriate proportional recovery of direct costs and overhead.

c. Available funds accruing in an Enterprise Fund which are not needed for working balance or future planned improvements may, at Council's discretion, be transferred to the General Fund as an annual, budgeted Return on Investment or Equity, except where prohibited by bond covenants or other legal requirements. This will be encouraged wherever feasible.

2. Miscellaneous Special Revenue Funds

a. The Emergency Medical Services Fund will be budgeted to be fully supported by revenue from Pinellas County. Any shortfall due to non-reimbursable expenditures shall be provided for by transfers from the General Operating Fund.

b. The Parking Fund shall be used to account for operating revenue and expenditures, and capital outlay and debt service transfer requirements, associated with City parking facilities. Any funds not required for these purposes may be transferred to the General Fund after any tax increment debt service shortfalls are met.

c. The Bayfront Center, Pier and Coliseum Funds will be used to account for operating revenues, expenditures, and capital outlay associated with operating these facilities. The income generated by these facilities is not expected to cover their costs and the shortfalls will require transfers from the General Operating Fund.

3. Enterprise Operating Funds

a. Enterprise Operating Funds will pay the General Fund their proportionate share of the cost of general administrative departments and payment-in-lieu-of-taxes, which will be computed in a fashion that will relate the tax to a comparable commercial use, as limited by outstanding Bonds or Bond resolution. (Public Utilities bond restrictions limit payments in lieu of taxes to fifteen percent (15%) of gross revenues.) Public Utilities (water, reclaimed water, and sewer), Stormwater, Sanitation, Golf Course, Airport, Marina, Port and Jamestown Housing are able to produce sufficient revenue from their service charges to fully recover all direct operating costs and overhead, plus provide for debt service and major capital outlay. Initial startup of operations or specific circumstances may require an individual enterprise to be subsidized for a limited period of time; however, it is fully expected that these operations will be totally self-supporting over time and will repay any subsidy to the General Fund, as revenues permit.

b. Service charges, rent and fee structures will be established so as to ensure recovery of all costs.

c. The requirements of the Enterprise Operating Funds will include all expenses of the operations (salaries, benefits, services, commodities and capital outlay), including allocation of general and administrative costs and payment-in-lieu-of-taxes, as well as any transfers to capital project funds, debt service funds or Return on Investment/Equity.

d. A review of cost of service and rate structures for Public Utilities (water, sewer, and reclaimed water), Stormwater and Sanitation charges will be performed on an annual basis. The recommended budget will set forth the cost requirements to be recovered by the service charges which will be based on the cost of services provided. The impact of such cost of services on Rate Schedules charged for such services shall be presented to City Council in a timely manner to allow review and analysis prior to Council approval.

Any Return on Equity for these operations shall be computed using a methodology similar to that used by the Florida Public Service Commission.

a. The Airport, Port, Golf Course, and Marina fee structures will be reviewed on an annual basis, and will relate to competitive rates in other local private and public operations, and to the City's operating and capital plan requirements. As provided for in Section B.1, paragraph c., it shall be the goal of the Golf Course and Marina Enterprises to return to the General Fund an annual Return on Investment (ROI). This return on investment shall vary in amount from year to year to assure that the necessary capital improvements are made to maintain high quality golf course and marina facilities, with needed improvements taking priority over the Return on Investment.

b. The Jamestown fee structure will be reviewed on an annual basis and will relate to competitive rates in similar facilities, the anticipated level of Federal assistance to tenants, and to the City's operating and capital plan requirements.

4. Internal Service Funds

a. Charges to departments for internal services rendered will be sufficient to cover the total cost of performing services on an efficient basis. Rates or rate schedules for such charges shall be presented to City Council prior to planned date of implementation, and shall be accompanied by an analysis and justification.

b. Included in the cost of furnishing services will be the replacement of equipment considering inflationary cost factors.

c. Lease purchase or borrowing of funds will be considered appropriate only if it involves a major conversion from which the cost saving benefits will accrue in future years during the useful life of assets acquired by such methods.

Contact: Budget & Management Department