

City of Tampa's Financial Structure, Policies and Guidelines

The city provides the full range of municipal services as provided by state statute and city charter. These include public safety, water, wastewater, solid waste, parking, public improvements, cultural, parks and recreational and general administrative services.

A summary of city funds, attendant revenue sources and their purposes is provided below.

Tax Operating Funds

- General

The primary operating fund of the City of Tampa used to account for all financial resources except those required to be accounted for in another fund. This fund's major revenues consist of taxes and franchise fees, licenses and permits, charges for services, and transfers and other financing sources. These funds are used to provide services such as public safety, parks and recreation, transportation and general administration of the city.

- Utility Tax

A tax levied by the city on the consumers of various utilities such as communications services, electric, gas, and water. Revenue received is used to purchase capital items such as machinery and equipment, vehicles for non-enterprise fund activities and to fund the debt service for outstanding Utility Tax Bonds.

- Guaranteed Entitlement State Revenue Sharing

Used to account for the receipt and use of state guaranteed entitlement proceeds. This money is pledged to the repayment of the 2001 Guaranteed Entitlement Refunding Revenue Bonds.

- Occupational License Revenue

Used to account for the receipt and use of occupational license tax proceeds. This money is first pledged to the repayment of the 2002A and 2007 Occupational License Tax Refunding Bonds and the remainder is transferred to the general fund.

- Cable Communication

Used to account for administering the city's cable television franchise and access television (public, education and governmental) programming activities. The cable communication responsibility is to enforce applicable federal and state statutes and local codes and ordinances as well as the contractual terms defined by the franchise agreements.

- Local Option Gas Tax

A 30-year tax which began in 1983 and accounts for the city's share of taxes levied on motor fuel and special fuel sold in the county. This money shall be used for various transportation related capital projects.

- Stormwater

Used to account for the receipt of non-ad valorem stormwater assessments. These funds along with transfers from the general and utility tax funds support capital improvements and administration costs of the city's stormwater system.

- Capital Improvement Projects

Transfers from other financing sources comprise this fund's revenues. Expenditures may fund such projects as acquisition, expansion or rehabilitation of a government structure or a major piece of equipment. Major construction or reconstruction projects include improvements to streets, parks, utilities and other city infrastructure.

- Community Investment Tax

In 1996, a levy of a one-half cent local government infrastructure surtax for community investment was adopted for a period of 30 years to provide general government, public safety, and educational infrastructure in Hillsborough County. The sales tax was raised from 6.5 percent to 7 percent. Proceeds of the half-cent sales tax are shared by Hillsborough County, its three municipalities, the Tampa Sports Authority and the Hillsborough County school board to finance jails, build new schools, construct a community stadium, purchase law enforcement and fire equipment and improve our libraries, parks and other public facilities.

- Transportation Impact Fee

A charge based on projected trips that will be generated by development or redevelopment of a property. Revenues are used to provide roadway improvements and related infrastructure necessitated by new development.

Internal Service Funds

Used by state and local governments to account for the financing of goods and services provided by one department or agency to other departments or agencies and to other governments on a cost reimbursement basis.

- Self Insurance

Use to account for risk management insurance activity related to health, workers' compensation, various employee benefits, general liability, property insurance, and safety monitoring.

- **Utility Accounting**
Used to account for the costs related to utility billings, collections and administration. Billings to the other user departments are based on costs incurred.
- **Central Services**
Used to account for the costs of operating the city's central publication and central mail services. Billings to user departments are based on costs incurred.
- **Fleet Maintenance (including Electronics)**
Used to account for the costs of operating a maintenance facility for automotive equipment and radio repairs used by city departments. Billings to user departments are based on costs incurred.

Pension Funds

Accounts for the accumulation of resources to be used for retirement annuity payments to eligible pensioners and their beneficiaries. Resources are contributed by employees at rates fixed by law and by the city at amounts determined by an annual actuarial study. The city's pension funds include:

- Firefighters and Police Officers
- General Employees

Funding for these activities include user charges assessed on operating departments, contributions from the city, employees' contributions and investment income.

Enterprise Funds

The city's five enterprise funds obtain their revenue primarily from user charges, and are structured to be entirely self-supporting.

- **Parking**
The parking department owns and operates on-street metered parking spaces, several downtown and Ybor City parking garages and lots. The department is funded by garage and lot fees and parking meter collections and fines.
- **Wastewater**
Services include the collection, treatment, and disposal of wastewater and are supported by user fees and capacity charges.
- **Water**
The city's full-service water utility includes pumping, treatment and distribution facilities. The system is supported by user fees and connection charges.
- **Solid Waste**
The city owns and operates a refuse collection and disposal system for city residents. The city also owns a refuse-to-energy incinerator facility. The system is supported by user fees and resale of energy generated by the disposal facility.

- **Marina**
The city owns and operates three marinas. Services include leasing and maintenance of boat slips and a refueling station. The marinas are supported by boat slip rentals and fuel charges.

Federal and State Grant Funds

Other funds include projects which are funded in whole or in part by state and/or federal grants.

- **Community Development Block Grant (CDBG)**
A federal entitlement program administered and funded by the U.S. Department of Housing and Urban Development's (HUD) Community Planning and Development Office. Grant amounts are determined by a formula based on the community's population, population growth lag, the number of persons in poverty, the extent of overcrowded housing, and the amount of housing built prior to 1940. This program funds activities related to the development and redevelopment of eligible areas in the city. The purpose of CDBG funds is to improve communities by providing decent housing and a suitable living environment, and expanding economic opportunities, and capital improvements, for persons with low-and moderate incomes.
- **Other Federal and State Grants**
Other funds to be received from the U.S. Department of Housing and Urban Development include the HOME Investment Partnerships Program, the Emergency Shelter Grants Program and the Housing Opportunities for Persons With AIDS Grants.
These grants provide affordable housing and/or rehabilitation programs to benefit low-and moderate-income households including facilities and services for the homeless and specialized housing services for persons with AIDS.
The State Housing Initiatives Partnership (SHIP) program is authorized by the state legislature under the William E. Sadowski Affordable Housing Bill which allocates funds that are received from an additional 10 cent documentary stamp tax on real estate transactions and an additional 10 cent contribution from the state general revenue documentary stamp tax. This program is administered by the state and the balance, after the state's needs are met, is allocated to local governments. Funding for a variety of housing programs is available through this funding source.

Budget and Budgetary Control

The City of Tampa follows these procedures in preparing budget documents:

- Prior to September 1, the mayor submits to city council a recommended budget for the fiscal year commencing October 1. The budget includes proposed expenditures and the means to finance them.
- City council holds two public hearings in September to obtain taxpayer comments.
- Prior to October 1, the budget is enacted by ordinance.
- During the fiscal year, budgetary control is maintained at the department level. Revisions are approved by city council.
- The annual budget for the general fund, enterprise funds, internal service funds and all annually appropriated special revenue funds are prepared in accordance with generally accepted accounting principles. This includes an original appropriation ordinance, a budget amendment for encumbrances outstanding at the end of the previous year and other budget amendments adopted by city council. Appropriations for these funds lapse at the end of each fiscal year.
- Project budgets are adopted for the community development block grant, other special revenue funds, most capital projects and bond funds. Appropriations in these funds remain open and carry over to succeeding years until planned expenditures are made, or until they are amended or cancelled. Because these funds involve multi-year projects, comparison on an annual basis does not necessarily provide meaningful information and with the exception of CDBG, is not presented.
- The budget process allows for amendments as conditions change during the year. An amendment may be initiated by the mayor and, after city council approval, the appropriations of funds are realigned.

Accounting System Control and Budgetary Basis

The City of Tampa's accounting records for general government operations are maintained using the current financial resources measurement focus and the modified accrual basis, with revenues recorded when measurable and available, and expenditures recorded when the services or goods are received and the liabilities incurred. Accounting records for the city's pension plans, enterprise funds and internal service operations are maintained using the economic resources measurement focus and the accrual basis of accounting, with revenues recorded when earned, and expenses recorded when the liabilities are incurred. The budgetary basis is the same as the accounting basis.

In developing and modifying the city's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to

provide reasonable assurance that assets are safeguarded and financial records are reliable.

Capital Spending Decisions and Their Impact on Future Operational Costs

In general terms, governments must control day-to-day operating costs if funds are to be made available for new and efficient capital equipment and needed construction of roads, parks, recreational, water, parking, stormwater and wastewater facilities. The City of Tampa continues the policy of containing operating costs so that adequate funds are available for capital projects.

The city reviews each capital improvement project in terms of costs versus benefits. An analysis is made of each project and resulting operating costs are included in budget estimates, the department thresholds and in the Recommended Annual Budget as appropriate.

Debt Service

The city transfers funds from special revenue funds for utility tax, guaranteed entitlement, local option gas tax, occupational licenses, and from the community investment tax capital projects funds to the corresponding debt service funds to meet debt service requirements of revenue bonds for which these revenues are pledged. The community redevelopment agency transfers funds to the utility tax debt service fund as those revenues are pledged for repayment of the outstanding 1991, 2001 and 2001B Utilities Tax and Special Revenue Refunding Bonds. Enterprise funds debt service is provided in their general reserve funds.

Summary of Fund Balances

In the tax operating funds, the city's policy is to budget approximately 1% in a reserve for contingencies (\$2.4 million) and revenues (\$3.5 million) in addition to transfers of \$1.8 million to the fund balance account of the utility tax fund. These measures are to help the city prepare for future emergencies and are in accordance with external auditor recommendations. The current emergency reserve balance is \$7.6 million. However, for FY08 this year's state mandated budget reductions of approximately \$20 million did not allow the city to add to this reserve.

In the enterprise and intergovernmental funds, reserves of approximately 6-10% are anticipated since bond covenants require various coverage levels. The water and wastewater funds, which are separate enterprises with separate rate structures, have been combined for bond coverage requirements. Therefore, at the end of the year, one fund may have little or no reserves with the coverage coming from the other which has a larger fund balance. All budgeted funds are balanced by ensuring that budgeted revenues and transfers-in equal budgeted expenditures and transfers-out.

Long-Range Planning

Each year the mayor, along with senior staff, holds a strategic planning retreat. This process includes long-range planning, program development, business planning, performance evaluation, and integration of feedback to continually align services to meet the city's vision. It begins by defining the mission and values then developing the vision. From that vision, the city establishes priorities known as strategic focus areas. In each of these areas, goals and measurable objectives are set to ensure the process remains on track. Finally, specific tasks or actions are identified to guide budgeting decisions.

Currently there are six strategic focus areas, including 1) investing in Tampa's neighborhoods, 2) economic development in our most challenged areas, 3) downtown as a residential community, 4) efficient city government focused on customer service, 5) city of the arts, and 6) making regional mass transit a reality.

Balanced Budget

The city adopts a balanced budget where operating revenues are equal to, or exceed, operating expenditures. Any year-end operating surplus reverts to unappropriated balances for use in maintaining reserve levels set by policy or guidelines. The operating budget serves as the annual financial plan for the city. Enterprise funds are supported by their own rates and are not subsidized by the general fund. Enterprise funds pay their share of overhead services provided by the general fund through several cost reimbursement programs.

Cash Management and Investments

All city funds are prudently and safely invested according to city charter to provide a sufficient level of liquidity to meet cash flow needs and to provide the maximum yield possible.

Capital Asset Acquisition, Maintenance, Replacement, and Retirement Expenditure Accountability

To ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement, policies and guidelines have been developed. These policies and guidelines address inventorying capital assets and evaluating their condition, criteria for acceptable condition, criteria for continued maintenance versus replacement or retirement of an asset, and identification of funding for adequate maintenance and scheduled replacement. On-going and multi-year replacement and renewal schedules are established and linked with capital expenditures and the annual budget process. Examples include vehicle and computer replacement schedules.

Revenue Policies and Guidelines

1. Revenue Diversification

The city strives to diversify its revenues in order to maintain needed services during periods of declining economic activity.

2. Fees and Charges

As a home rule city, the City of Tampa has the ability to determine the extent to which fees should be used to fund city facilities, infrastructure and services. These fees are reviewed and updated on an on-going basis to ensure that they keep pace with inflation and changes in methods or levels of service. In setting user fees and cost recovery levels, several factors are considered, including community-wide versus special benefit, the service driver and the effect of pricing on the demand for services. The city recognizes that very low cost recovery levels are appropriate under some circumstances, e.g., social services, public safety / emergency response services, and neighborhood and community parks. For enterprise funds (e.g., water, wastewater, parking), fees and rates are set at levels which fully cover the total direct and indirect costs, including operations, capital outlay and debt service. The city treats the water and wastewater funds in the same manner as if they were privately owned and operated, which means payments in lieu of taxes and franchise fees are assessed for these services. All fees imposed by the city are established by ordinance, which are approved by the city council.

3. Use of One-time Revenues

To the extent feasible, one-time revenues are applied toward one-time expenditures; they are not used to finance on-going programs.

4. Revenue Reserves

Due to concern regarding the under collection of state and local revenues, revenue reserves approximating one percent of recurring revenues are budgeted in the general and utility tax funds for potential revenue shortfalls.

Expenditure Policies and Guidelines

1. Debt Capacity, Issuance and Management

The city uses a combination of fixed rate, commercial paper, tax and revenue anticipation notes, and variable rate debt. There are no statutory or charter debt limitations. The issuance of debt is made at the lowest possible cost and risk to the city, determined by available debt capacity, compliance with city charter, legal requirements, and prudent fiscal practices.

New money issues generate funding to be available for expenditure on acquisition, construction and major improvements of capital assets. These funds are not

used to fund operational activities. Refunding issues are used to retire outstanding bonds at either a lower interest rate to reduce debt service, to change the type of debt instruments, or to remove undesirable covenants. Depending upon the size of a refunding, the city typically seeks to produce present value savings of 3%-5% of the bonds being refunded.

The city issues debt with an average life less than or equal to the average life of the assets being financed, but in no event longer than 40 years. Debt payments are made from the pledged revenues or other legally available revenues. The city has no general obligation bonds.

Derivatives are considered only in instances where it is shown that the product will either provide a hedge that reduces risk of fluctuation in expense or revenue or where it will reduce total project costs. No derivative shall be used for the purpose of interest rate speculation.

Conduit debt is issued only if there is no recourse to the city. Any conduit financing structures must implement formal underwriting standards, be for projects that have local acceptance and public purpose, be from non-profit borrowers with a demonstrated ability to provide debt service, employ independent financial advisors, and be in compliance with pertinent laws and regulations. The city prefunds each subsequent year's debt service.

2. Contingencies

Contingencies may be established for each fund during the annual budget development process and when established, should not exceed 5% of the fund's budget.

3. Emergency Reserves

In light of the magnitude and severity of the effects of emergencies on other communities, the city initiated an emergency reserve policy in FY06. The city's goal is to create a dedicated reserve of 5% of the general fund's operating departments' budgets. This is approximately \$15 million. We currently have approximately \$7.6 million. However, due to mandated reductions imposed by state legislation, we do not have sufficient funds to add to this program for FY08. If these funds were used we would anticipate partial reimbursement from federal and state agencies and insurance policies.

4. Operating Reserves

The city has established a target of 15% of current year general fund operating budget for unappropriated/ undesignated fund balance. Reserves in special revenue funds, capital project funds, debt service funds, and enterprise funds are utilized for the purposes allowed by these various fund types. Computers, equipment, furnishings and vehicle replacements are funded through annual operating appropriations according to pre-established schedules based on the useful lives of the assets and are not included in reserve targets.

5. Operating/Capital Expenditure Accountability

The city prepares quarterly financial statements which compare actual revenues and expenditures to budget. In addition, a six-month review is provided to city council each year.

Debt Policy

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Debt Service

Summary of Debt Service Requirements on Bonds by Fund (Thousands)

	FY08 Principal	FY08 Interest	FY08 Total	FY08 Transfers to Debt Service	Other Financing Sources	Principal and Interest Outstanding	Year of Retirement
Utility Tax Fund							
1991,2001,2001B U. Tax	\$ 8,360	\$ 5,151	\$ 13,511	\$ 0	\$ 13,511 (1)	\$ 94,637	2015
1996 Utility Tax	0	0	0	0	0	95,200 (2)	2022
1997 Utility Tax	235	60	295	295	0	3,083	2019
1998 Utility Tax	92	14	106	106	0 (3)	253	2010
1999A Utility Tax	1,185	178	1,363	1,363	0 (3)	2,735	2010
2000A Utility Tax	201	18	219	219	0 (3)	168	2009
2002A Utility Tax	19	207	226	126	100 (4)	6,365	2021
2006 Utility Tax	0	793	793	793	0 (3)	22,944	2019
Utility Tax Fund Total	<u>\$ 10,092</u>	<u>\$ 6,421</u>	<u>\$ 16,513</u>	<u>\$ 2,902</u>	<u>\$ 13,611</u>	<u>\$ 225,385</u>	
Guaranteed Entitlement							
2001A	\$ 4,430	\$ 389	\$ 4,819	\$ 4,819	\$ 0	\$ 2,797	2018
CDBG - HUD Section 108							
1999A	\$ 200	\$ 552	\$ 752	\$ 419	\$ 333 (5)	\$ 12,848	2018
Stormwater							
2007 Commercial Paper	\$ 0	\$ 1,255	\$ 1,255	\$ 1,255	\$ 0 (6)	\$ 1,600	N/A
Occupational License							
2002A, 2007	\$ 2,635	\$ 4,440	\$ 7,075	\$ 5,829	\$ 1,246 (7)	\$ 137,394	2027
Local Option Gas Tax							
2007 Commercial Paper	\$ 0	\$ 255	\$ 255	\$ 255	\$ 0 (8)	\$ 6,000	N/A