

Budget Process

The budget process is a formalized occurrence that involves collaboration and coordination among the respective city departments, the Office of Budget and Policy, the City Manager, the executive team, the City Commission, and the citizens of Tallahassee. The process results in annual operating and capital budgets and a five-year financial and capital improvement plan for the General Fund and Enterprise Funds.

BUDGET STRATEGIES

Target Issues

The City Commission annually selects target issues and identifies those programs and community needs that are to be given priority attention during the year. Current target issues are as follows:

- Long Range Planning
- Economic Development
- Health and Human Services
- Financial Viability
- Water Resources

The Financial Viability of the Government Target Issue Committee is comprised of two City Commissioners, the City Manager, the City Treasurer-Clerk, the City Auditor, the Assistant City Manager for Utilities, the Director of the Department of Management and Administration, and the Budget Manager. The committee establishes parameters for a comprehensive budget review, reviews and approves the strategic plan for electric and gas utilities, and conducts periodic reviews of debt financing and investment policies.

Comprehensive Plan

The comprehensive plan, originally adopted in 1990, outlines goals, objectives, and policies for eleven elements (land use, utilities, transportation, economic development, etc.) and establishes the types and levels of services that the city plans to provide for its citizens. This plan is updated through biannual amendment cycles outside of the budget process.

Public Input

Prior to development of the budget, citizen input is solicited on program changes and service delivery performance of all major programs through a biennial citizen survey. Three public hearings on the budget are also held annually to solicit public input.

OPERATING BUDGET PROCESS

A Financial Advisory Committee comprised of the City Manager, the appointed officials of the city, the Assistant City Managers, the Director of the Department of Management and Administration, the manager of the Office of Budget and Policy, and representatives from selected city departments review major budget issues prior to the development of the formal proposed budget. This committee evaluates concerns that may impact the operating budget in order to determine priorities for budget issues that will ultimately be submitted to the City Commission for approval.

Subsequently, the Financial Viability of the Government Committee compiles and analyzes the results from the budget strategies for presentation to the City Commission. This data is then adopted or amended as formal guidelines for budget development. The City Manager transmits these guidelines in a budget preparation message to the departments and reiterates the budget strategies, target issues, and other program plans which should be addressed for the upcoming year.

Budget Process

Budget Review and Adoption

Departments are responsible for developing their respective budget requests. Along with the requests, departments provide a trends and issues report in which they establish their objectives and priorities and identify their resource requirements to meet the City Manager's budget directives.

The City Manager conducts formal meetings to discuss the departmental requests. These budget hearings are held in the spring and include city departments, the Office of Budget and Policy, and members of the Executive Team. After hearing all departmental presentations, the City Manager and the Executive Team arrive at recommendations for the proposed budget.

Upon submission of the budget to the Commission, two budget workshops are held to discuss policy issues and long term ramifications of budgetary decisions. In between the workshops, the Commission holds a public hearing to obtain additional citizen input. As a result of public comment, modifications may be incorporated into the budget. At the last workshop, the City Commission adopts a tentative millage rate for the assessment of ad valorem taxes. The budget and the millage rate are ultimately adopted by ordinance during the month of September, following two statutorily required public hearings.

Budget Structure

Similar to the process used in past years, the budget for fiscal year 2007 was developed using a service level budgeting system (SLBS). This is a flexible system which focuses on various aspects of managerial planning and control. SLBS incorporates features of major budget system concepts such as traditional line-item, program performance, and zero based budgeting.

Budget Amendments

Budgetary control is maintained at the department level, with the Office of Budget and Policy providing support to departments in the administration of their budgets. In accordance with the city's budget transfer policy, departmental budgets can be amended in various ways depending on the type of transfer being considered.

Any budgetary amendment that is within the department's appropriated budget and within the same fund can be authorized by the City Manager. This includes transfers from the contingency account. Transfers between departments that cross funds or increase appropriations are made at the request of the City Manager and must be approved by the City Commission.

Budgetary amendments between divisions and within the same fund within a department may be initiated at the discretion of the department head except for transfers affecting personnel services, allocated accounts, accounts for insurance, bad debt, taxes or grants, articles for resale, fuel accounts, debt service, or interfund transfers. Requests for amendments to the line item exceptions are reviewed by the Office of Budget and Policy and approved by the City Manager or respective appointed official for transfers affecting the offices of the City Attorney, City Auditor, or City Treasurer-Clerk.

Since the implementation of the PeopleSoft financial system, budgetary control has moved from the line item level to major budget category. With the exception of the line items identified above, departments may over-expend line items provided there are available balances in the respective major budget category.

Budget Basis

Currently, the budgets for general government operations (General, StarMetro and Golf Course Funds) are prepared on a modified accrual basis. This means that obligations of the city (i.e., outstanding purchase orders) are accounted for as expenditures, but revenues are recognized only when they are measurable and available. At year end, open encumbrances are reported as reservation of fund balance. The operating budget does not include expenses for depreciation.

Budget Process

The budgets for the city's utilities (Electric, Water, Sewer, Gas, Stormwater, and Fire) and other enterprise operations (Aviation, Solid Waste, and Cemeteries) are budgeted on a full accrual basis. Not only are expenditures recognized when a commitment is made (e.g., through a purchase order) but revenues are also recognized when they are obligated to the city (i.e., water user fees are recognized as revenue when bills are produced).

Budget and accounting procedures are subject to modifications to comply with GASB 34.

CAPITAL BUDGET PROCESS

The capital budget and five-year capital improvement plan (CIP) support construction-related projects and major automation enhancements which improve the city's infrastructure and information technology capabilities. As with the operating budget, the capital budget is developed within the framework provided by the city's five-year financial plan and targets and goals established by the City Commission.

After projected revenues and expenditures have been evaluated to determine the level of funding available to support capital requests, budget instructions are developed. Typically, departments update the five-year CIP by moving out-years forward and adding a fifth year. In some cases, projects are fast-tracked or deferred based on new priorities, availability of funds, etc. Also, the departments, with the exception of Electric and Gas, review all projects for the achievement of goals and objectives set forth in the comprehensive plan and for compatibility with the BluePrint 2000 Plan.

Departmental capital budget requests are returned to the Office of Budget and Policy. Following a cursory review by the capital budget coordinator, general government and aviation projects are reviewed by Public Works, Division of Engineering, for cost feasibility and work load scheduling. The results are provided to the Office of Budget and Policy in early March.

The Office of Budget and Policy then reviews the status of the departments' current capital programs and determines departmental capacity for additional workload. This assessment is incorporated with the input received from the departments and Public Works to develop a priority ranking of projects. Recommendations are made based upon the priority listing and the level of funds available. This information is presented to the executive team for its review and approval during the departmental executive budget hearings.

The process for public input and adoption of the capital budget is concurrent with timelines previously discussed in the operating budget process section. Throughout the fiscal year, the Office of Budget and Policy monitors the capital improvement plan and provides semi-annual status reports to the City Commission.

City of Tallahassee
Fiscal Year 2007 Approved Budget
Budget Calendar

<u>DATE</u>	<u>BUDGET ACTIVITY</u>
October 1, 2005	NEW FISCAL YEAR 2006 BEGINS
February 1, 2006	ISSUANCE OF CITY MANAGER'S BUDGET GUIDELINES
February 1, 2006	DISTRIBUTION OF OPERATING AND CAPITAL BUDGET INSTRUCTIONS
March 1, 2006	OPERATING AND CAPITAL BUDGETS DUE TO OBP
March 30 - April 18, 2006	EXECUTIVE HEARINGS
May 8, 2006	BUDGET PRESENTATION – FINANCIAL VIABILITY OF THE GOVERNMENT TARGET ISSUE COMMITTEE
June 8, 2006	RELEASE OF PROPOSED BUDGET
June 13, 2006	COMMISSION WORKSHOP – OPERATING BUDGET
June 13, 2006	COMMISSION WORKSHOP – CAPITAL BUDGET
June 28, 2006	PUBLIC HEARING ON PROPOSED BUDGET AND ADOPTION OF TENTATIVE MILLAGE RATE
July 5, 2006	FINAL BUDGET DECISIONS
September 13, 2006	FIRST BUDGET HEARING ON TAX MILLAGE AND BUDGET
September 27, 2006	FINAL BUDGET HEARING ON TAX MILLAGE AND BUDGET
October 2006	DISTRIBUTION OF FY 2007 APPROVED BUDGET DOCUMENTS

City of Tallahassee
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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.

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. The FY 2007 approved budget retains the 3.7 millage rate.

Florida Statutes, Chapter 202 – The Communication Services Tax consolidates a variety of taxes formerly imposed on telecommunication, cable, home satellite and related services. Cities have the option of levying one of three rates ranging from 4.1% to 5.6%. Opting for the highest rate, the City of Tallahassee is required to forego permit fee charges for use of city right-of-way.

Florida Legislative Committee on Intergovernmental Relations and Florida Department of Revenue – Each year the joint staffs prepare revenue forecasts which are the basis for pass-through funding for local government revenue sharing and the Florida half-cent sales tax.

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 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 that follows this section shows the requirements of the policy as applied to each fund.

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

City of Tallahassee
Fiscal Year 2007 Approved Budget
Budget Statutes And Guidelines

the Risk Management Fund. This reserve is set at 150% of the average claims for the past three 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 Policy, No. 650 Commission Policies - The debt 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 & Computer Replacement Reserves - Funding for replacement of vehicles and computer equipment 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. The vehicle replacement expenses for fiscal year 2007 were retained at the same level as fiscal year 2006.

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 in 1998 do not specify an explicit amount or methodology but require a transfer to an RR&I fund.

Union Agreements - Two unions represent police officers and firefighters. The Big Bend Chapter of the Florida Police Benevolent Association (PBA) represents a total of 346 authorized police officers. A new contract was approved by the City Commission and police officers in October 2004. The International Association of Firefighters (IAFF) represents 220 authorized firefighters, driver-operators, and lieutenants in the Fire Department. Benefits are negotiated for a three-year period. A new contract was approved effective October 1, 2005 through September 20, 2008. Fire captains and division chiefs have voted to be represented by IAFF, but have not requested negotiations.

Utility Rate Studies - Rate studies are prepared for each of the utility enterprise operations (electric, gas, water, and sewer). 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. The rate studies approved April 1, 2006 recommended phased in increases from April of 2006 to FY2008 for electric services at the rate of with 3.1%, 7.4% and 10.6%. The sewer rate increase is phased in from April of 2006 to FY2008 with 4.1%, 10.5% and 12.2% increases. The water rate increase will be implemented in FY2007 and is for 6.2%.

Assessment and Fee Reviews - Fees and assessments are periodically reviewed to ensure recovery of costs to provide certain services. In March 2005, the City Commission adopted new fees and assessments for fire services and stormwater. While the fire rates impact all utility customers inside the city limits, they do not apply to residents and businesses in the unincorporated area of the county. Stormwater rates will increase by \$0.34 annually for the next five years. 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. An internal cost recovery comparison survey was also conducted for parks and recreation fees to provide recommendations to recoup recreation program costs. An increase in building inspection fees, recommended by the recently completed fee study, will be used to help offset the cost of three full-time positions proposed to implement the expedited permitting and inspection process.

City of Tallahassee
Fiscal Year 2007 Approved Budget

Finance Policy Summary

FUND	SURPLUS	GENERAL FUND TRANSFER	OPERATING RESERVE	OTHER
<p>GENERAL</p> <p><u>General Government:</u> aggregate revenues or expenditures in General Fund plus transfers to StarMetro, CRTPA, and golf course funds.</p>	<p>Used to support the subsequent year's operating budget, up to a maximum of 5% of general government expenditures. Any remaining balance used to fund the Deficiencies Reserve and buy down debt-financed capital improvement projects.</p>	<p>Effective FY06, General Government Capital Project Account (GG/CPA) funding is capped at \$3.0 million annually. GG/CPA funding for The FY07 budgeted amount is \$2.0 million.</p>	<p>Contingency funding is budgeted at \$100,000 in FY07.</p>	<p><u>Deficiencies Reserve:</u> up to 5% of year-end surpluses will be allocated to support subsequent year's operating deficit.</p> <p><u>Fleet Reserve:</u> retained at the FY06 level, which will provide a targeted reserve balance equivalent to the cost of the average five-year replacement program.</p> <p><u>RR&I:</u> Undesignated balance set at a 3% of general government capital projects.</p>
<p>FIRE SERVICES</p>	<p>Retained for fire operating and capital costs.</p>	<p>No transfer.</p>	<p>No reserve.</p>	<p>Not applicable.</p>
<p>ELECTRIC</p>	<p>Operating fund balance after General Fund transfer minus bond reserves used to fully fund the rate stabilization reserve, with the balance designated for electric system capital projects.</p>	<p>A new transfer policy was adopted in FY04 based on 8.3 mills per retail KWH sales for prior actual year. The FY07 transfer amount is \$22.6 million.</p>	<p><u>General Fund Stabilization Reserve</u> This reserve was established to ensure availability of funds for the transfer to the General Fund. It was eliminated in FY04 and \$1.0 million transferred to the Deficiencies Fund, \$1.0 million to one-time projects, and \$1.4 million to long-term electric rate stabilization fund.</p>	<p><u>Long Term Rate Stabilization Reserve:</u> Uses of accumulations determined by the City Commission.</p> <p><u>RR&I:</u> Transfer budgeted at a level equivalent to depreciation expense as provided in the Comprehensive Annual Financial Report (CAFR). Bond covenants for 1998 Energy System bonds require a transfer to RR&I but do not specify an amount.</p>

City of Tallahassee
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Finance Policy Summary

FUND	SURPLUS	GENERAL FUND TRANSFER	OPERATING RESERVE	OTHER
GAS	Designated to fully fund the operating reserve and thereafter to fund gas system capital projects.	A new transfer policy was adopted in FY04, which established an annual transfer of \$2.3 million.	Funded at 25% of the previous year's General Fund transfer. Used to meet General Fund transfer, if required.	<u>RR&I</u> : Transfer budgeted at a level equivalent to depreciation expense as provided in the applicable rate study. Bond covenants for 1998 Energy System bonds require a transfer to RR&I but do not specify an amount.
WATER	Designated to fully fund the operating reserve and thereafter to fund water system capital projects.	In FY04, the methodology for calculating the transfer was modified and sets the transfer at 20% of average gross revenues (excluding surcharge) for the past 3 years plus current year surcharge revenues which are dedicated to funding parks and recreation programs per the interlocal agreement with Leon County. The FY07 transfer amount is \$5.6 million.	Funded at 25% of the previous year's General Fund transfer. Used to meet General Fund transfer, if required.	<u>RR&I</u> : Transfer budgeted at a level equivalent to depreciation expense as provided in the Comprehensive Annual Financial Report (CAFR).
SEWER	Designated to fully fund the operating reserve and thereafter to fund sewer system capital projects.	In FY04, the methodology for calculating the transfer was modified and set the transfer at 4.5% of average gross revenues (excluding surcharge) for the past 3 years plus current year surcharge revenues, which are, dedicated to funding parks and recreation programs per the interlocal agreement with Leon County. The FY07 transfer amount is \$1.9 million.	Funded at 25% of the prior year's General Fund. Used to meet General Fund transfer, if required.	<u>RR&I</u> : Transfer budgeted at a level equivalent to depreciation expense as provided in the Comprehensive Annual Financial Report (CAFR).

City of Tallahassee
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Finance Policy Summary

FUND	SURPLUS	GENERAL FUND TRANSFER	OPERATING RESERVE	OTHER
AVIATION	Retained within fund and allocated according to airline use agreement.	No transfer to General Fund. Full recovery of cost.	Minimum of 1/12 th of operating and maintenance budget for Airport (less fuel for resale) designated for unanticipated non-recurring expenditures.	<u>RR&I</u> : Not applicable.
SOLID WASTE	Retained for rate stabilization reserve.	Transfer initiated in FY04. Amount set at .75% of average gross revenues for the past 3 years. The FY07 transfer is \$136,256.	No reserve.	<u>RR&I</u> : Not applicable.
STORMWATER	Retained for stormwater system capital projects.	Full recovery of cost. Transfer to the General Fund to support two stormwater operating technicians located in the Growth Management Department.	No reserve.	<u>RR&I</u> : Maximum of 5% of capital projects funding sources, with a minimum level of 3% as of 10/01/95.
CEMETERY PERPETUAL CARE	Retained for cemetery operating and capital costs.	No transfer.	No reserve.	Not applicable.
INTERNAL SERVICE FUNDS	Revenues for all funds are balanced against actual expenditures resulting in zero surpluses.	Not applicable. Excess balance from budgeted revenues is transferred to the original funding source at year-end.	No reserve.	Not applicable.

**Debt Policy Analysis
Capital Budget 2007
Capital Improvement Program 2007-2011**

In accordance with the city's debt policy, the following analysis of the compliance of the planned five-year capital program with that policy is presented. The debt management policy imposes a set of eleven (11) policy criteria, defined within the policy as items A through K. These items are presented and discussed individually as follows:

- A. The city will issue debt only for the purpose of acquiring or constructing capital improvements and for making major renovations to existing capital improvements for the general government.

COMMENT: All projects presented in any planned future bond issues comply with this policy.

- B. All capital improvements financed through the issuance of bonds will be financed for a period of not to exceed the useful life of the projects, but in no event beyond thirty (30) years.

COMMENT: The capital plan does not directly determine the length of bond issues. However, it is the intent of management that all general government debt proposed would be used to finance improvements having a useful life of not less than 25 years. Additionally, technology projects that are being bond funded are being debt funded for only a period of 10 years or less.

- C. Year-end surpluses, to the extent available and appropriable, will be used to cash finance previously approved capital projects included in planned bond issues, after meeting identified reserve requirements.

COMMENT: As a result of commission modifications to the city's financing policy, year-end surplus in the general government will be applied toward the subsequent year's operating budget to support general government expenditures, with any remaining balance made available for the cash financing of previously approved capital projects included in planned bond issues.

- D. Debt will not be issued for the replacement of city fleet, street resurfacing, sidewalk, bikeway and minor street construction, the acquisition of office furniture and equipment (except where associated with the acquisition/construction of a building), and other capital improvements of an ongoing nature.

COMMENT: The approved operating budget provides funding in the amount of two million dollars through the general government capital project account (GG/CPA). Street resurfacing activities are funded from gas tax proceeds. Capital outlays for fleet replacement costs are financed from the fleet reserve fund. There are five projects considered to be in conflict with this policy: Neighborhood Infrastructure Enhancement, ADA (Americans with Disabilities Act) Sidewalk Rehabilitation, Trojan Trail PASS (Pedestrian and Street Safety), Weems Road PASS, and Kerry Forest Parkway Extension.

- E. The city shall, as a target, maintain adjusted net debt per capita at or below Moody's Investor Service published median for cities of comparable size. In no event shall the net debt per capita exceed 135% of the published median.

COMMENT: Moody's Investor Service median data is no longer available. The Treasurer-Clerk's Office in conjunction with the Office of Budget & Policy will be looking at alternative comparative data for this element.

**Debt Policy Analysis
Capital Budget 2007
Capital Improvement Program 2007-2011**

F. The city shall, as a target, maintain the average life of all outstanding debt at or below ten (10) years. In no event shall the average life exceed 13.5 years.

COMMENT: Policy is not directly determined by the capital budget but rather by the City Treasurer-Clerk when constructing a bond issue. It is the intent of management to comply with this policy and all analyses so assume. The average life of all outstanding debt projected as of October 1, 2006, is within the established target.

G. The interest expense (capitalized interest) on new general government bond issues may be paid from bond proceeds for the period from the time of sale through the end of the current fiscal year.

COMMENT: Policy is not directly determined by the capital budget. However, it is the intent of management to comply with this policy and all analyses so assume.

H. The city shall establish and maintain bond reserves equal to the maximum principal and interest to come due in any ensuing fiscal year. Bond reserves necessitated by the sale of bonds will be provided for from bond proceeds.

COMMENT: Policy is not directly determined by the capital budget but rather by the City Treasurer-Clerk when constructing a bond issue. It is the intent of management to comply with this policy and all analyses so assume. The average life of all outstanding debt projected as of October 1, 2006, is within the established target.

I. The city shall, as a target, maintain the adjusted debt service at or below 10% of general government expenditures. In no event shall the adjusted debt service in any year exceed 13.5% of the general government expenditures.

ELEMENT I	ANALYSIS					
Dollar values are in thousands (000)	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY2010</u>	<u>FY2011</u>
General gov't. expenditures ¹	123,500	134,599	138,443	142,288	146,681	150,705
10% (Target)	12,350	13,460	13,844	14,229	14,668	15,071
13.5% (Cap)	16,672	18,171	18,690	19,209	19,802	20,345
Adjusted debt service ²	14,342	14,184	13,671	13,419	14,679	14,654
Debt service as percentage of general gov't. expenditures	11.6%	10.5%	9.9%	9.4%	10.0%	9.7%

¹ This also is consistent with commission action on the financing policy, which specifies that general government expenditures include subsidies to support golf course fund and StarMetro fund expenditures. Gas tax and sales tax expenditures were moved, in a previous fiscal year, to separate funds. Future year projections are based on combined average inflation and growth applied to the fiscal year 2007 budget.

² Approved debt service for fiscal year 2007 through 2011.

**Debt Policy Analysis
Capital Budget 2007
Capital Improvement Program 2007-2011**

COMMENT: As shown, debt service as a percentage of general government expenditures is slightly above the 10% target limit in FY06 and FY07, but significantly below the 13.5% cap. This is due to the beginning of the Neighborhood Infrastructure Enhancement debt service in combination with existing debt. Future projections indicate the city falling below the 10% target as existing debt is retired, except in FY10 when additional debt service begins for the FSU Connector Road.

J. The city shall, as a target, maintain the rate of adjusted net debt to taxable assessed valuation at or below 100% of Moody's Investor Service published median for cities of comparable size. In no event shall the adjusted net debt exceed 135% of the published median.

COMMENT: Moody's Investor Service median data is no longer available. The Treasurer-Clerk's Office in conjunction with the Office of Budget & Policy will be looking at alternative comparative data for this element.

K. The city will, as a target, provide current revenue capital improvements for projects and/or new debt service payments at a level of \$5,000,000 annually.

COMMENT: The FY 2007 capital budget reduces the amount of current revenues for capital improvement projects to \$2,000,000.

ELEMENT J	ANALYSIS							
Dollar values are in thousands (000)	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY2010</u>	<u>FY2011</u>		
GG/CPA Annual allocation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
GG/CPA - Programmed for projects	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
GG/CPA - New debt service support	0	0	0	0	0	0	0	0
Total GG/CPA Appropriated	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Net GG/CPA Position	0	0	0	0	0	0	0	0

COMMENT: Current revenue from GG/CPA is sufficient for capital improvements in each of the five years of the capital improvement plan.

Alternate Comparisons

The following comparisons are provided as interim alternate comparisons for elements E and J above.

Debt Policy Analysis Capital Budget 2007 Capital Improvement Program 2007-2011

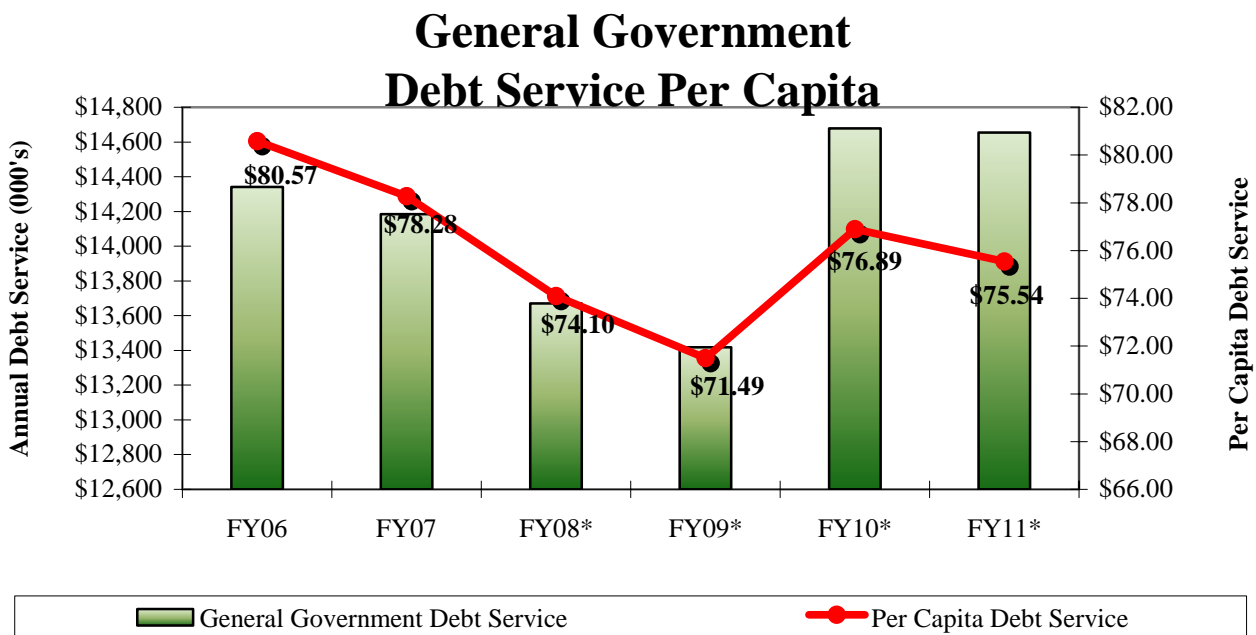
Debt Service Coverage

Debt service coverage demonstrates the city's ability to generate revenues sufficient to provide for the payment of debt service. As seen below, the city's debt service coverage is generally well above the amounts required.

	<u>Actual</u>	<u>Required</u>
Capital Revenue Bonds	3.04	1.25
Energy System Bonds	2.40	1.30
Consolidated Utility System Revenue Bonds	4.31	1.30
Airport System Revenue Bonds	4.05	1.20

Debt per Capita

Debt per capita demonstrates the burden of debt per resident. As the following chart indicates, the per capita debt service level for general government debt peaks in FY06 and slowly declines through FY09. In fiscal year 2007 this amounts to \$78 annually or approximately \$0.21 per day per resident.



*FY08 through FY11 are projected amounts.

CONCLUSION:

The city debt policy establishes a series of criteria with which to monitor the impact and extent of capital debt issuance and capital financing. It should be noted that the capital budget does not relate positively or negatively to compliance with elements B, E, F, G, H, or J.

City of Tallahassee
Fiscal Year 2007 Approved Budget
Schedule of Debt Service
(in thousands)
As of September 30, 2006

Description	Maturity Date	FY 2007	FY 2007	FY 2008	FY 2008	FY 2009	FY 2009
		Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities:</u>							
Capital Bonds-Series 2001	10/01/2011	1,550	333	1,600	276	1,660	217
Capital Bonds-Series 2004	10/01/2024	2,005	3,791	2,060	3,736	2,115	3,680
Sunshine State Loan #1	07/01/2016		680		680		680
Sunshine State Loan #2	07/01/2016		188		188		188
Sunshine State Loan #7	08/01/2025	500	475	500	450	500	425
Total		4,055	5,467	4,160	5,330	4,275	5,190
<u>Business-Type Activities:</u>							
<u>Sunshine State Loans</u>							
Electric Sunshine State Loan #3	07/01/2016		1,433		1,433		1,433
Electric Sunshine State Loan #5	04/25/2015		311		311		311
Gas Sunshine State Loan #4	05/25/2025	350	421	365	406	380	389
Fire Sunshine State Loan #6	04/25/2015	314	173	329	157	346	141
Total Sunshine State Loans		664	2,338	694	2,307	726	2,274
<u>Proprietary Revenue Bonds</u>							
Energy System-Series 1998A	10/01/2028	1,750	6,488	3,715	6,410	3,905	6,224
Energy System-Series 1998B	10/01/2026	3,670	1,357		1,210		1,210
Energy System Refunding-Series 2002	10/01/2007	6,470	214				
Energy System Refunding-Series 2001	10/01/2016	870	675	905	639	940	601
Consolidated Utility System Bonds-Series 1995	10/01/2014	2,720	163				
CUSB Refunding Revenue Bonds-Series 2001	10/01/2019	960	970	995	932	1,040	890
CUSB Refunding Revenue Bonds-Series 2005	10/01/2030		1,497	2,660	1,497	2,740	1,417
Airport Revenue Refunding Bonds-Series 2004	10/01/2013	760	202	780	183	800	159
Energy System Revenue - Series 2005	10/01/2035		6,102	2,350	6,102	2,300	6,020
Total Proprietary Revenue Bonds		17,200	17,669	11,405	16,973	11,725	16,521
Total Business-Type Activities		17,864	20,007	12,099	19,280	12,451	18,795
Total Debt Service - Principal & Interest		21,919	25,474	16,259	24,610	16,726	23,985

City of Tallahassee
Fiscal Year 2007 Approved Budget
Schedule of Debt Service
(in thousands)
As of September 30, 2006

Description	Maturity Date	FY 2010 Principal	FY 2010 Interest	FY 2011 Principal	FY 2011 Interest	Total Principal	Total Interest
<u>Governmental Activities:</u>							
Capital Bonds-Series 2001	10/01/2011	1,720	155	1,790	89	8,320	1,067
Capital Bonds-Series 2004	10/01/2024	2,185	3,616	2,245	3,551	10,610	18,374
Sunshine State Loan #1	07/01/2016		680		680	0	3,400
Sunshine State Loan #2	07/01/2016		188		188	0	940
Sunshine State Loan #7	08/01/2025	500	400	500	375	2,500	2,125
Total		4,405	5,039	4,535	4,883	21,430	25,906
<u>Business-Type Activities:</u>							
<u>Sunshine State Loans</u>							
Electric Sunshine State Loan #3	07/01/2016		1,433		1,433	0	7,165
Electric Sunshine State Loan #5	04/25/2015		311		311	0	1,555
Gas Sunshine State Loan #4	05/25/2025	395	372	410	355	1,900	1,943
Fire Sunshine State Loan #6	04/25/2015	363	123	381	105	1,733	699
Total Sunshine State Loans		758	2,239	791	2,204	3,633	11,362
<u>Proprietary Revenue Bonds</u>							
Energy System-Series 1998A	10/01/2028	4,060	6,063	4,270	5,860	17,700	31,045
Energy System-Series 1998B	10/01/2026		1,210		1,210	3,670	6,197
Energy System Refunding-Series 2002	10/01/2007					6,470	214
Energy System Refunding-Series 2001	10/01/2016	985	561	1,030	517	4,730	2,993
Consolidated Utility System Bonds-Series 1995	10/01/2014					2,720	163
CUSB Refunding Revenue Bonds-Series 2001	10/01/2019	1,090	837	1,140	783	5,225	4,412
CUSB Refunding Revenue Bonds-Series 2005	10/01/2030	2,820	1,335	2,915	1,243	11,135	6,989
Airport Revenue Refunding Bonds-Series 2004	10/01/2013	825	133	855	104	4,020	781
Energy System Revenue - Series 2005	10/01/2035	2,515	5,940	2,695	5,852	9,860	30,016
Total Proprietary Revenue Bonds		12,295	16,079	12,905	15,569	65,530	82,810
Total Business-Type Activities		13,053	18,318	13,696	17,773	69,163	94,172
Total Debt Service - Principal & Interest		17,458	23,357	18,231	22,656	90,593	120,078

City of Tallahassee
Fiscal Year 2007 Approved Budget
Schedule of Reserves
As of June 30, 2006

Organizational Coverage	Bond Required	Maintenance & RR&I	Available Balance	Total Reserves Balances	Total Target
<u>City Wide</u>					
Deficiencies	0	0	24,824,600	24,824,600	22,209,800
Fleet Reserve Fund	0	12,772,000	0	12,772,000	12,772,000
Cemetery Perpetual Care/Trust	0	0	6,227,600	6,227,600	6,227,600
Risk Management Reserve	0	0	619,100	619,100	619,100
Bond Reserve-General	8,535,300	0	0	8,535,300	8,535,300
Total	8,535,300	12,772,000	31,671,300	52,978,600	50,363,800
<u>Fire Service Fee Fund</u>					
Operating Reserve	0	0	0	0	0
Total	0	0	0	0	0
<u>Electric Fund</u>					
Operating Reserves:					
Long-term Rate Stabilization	0	0	81,130,300	81,130,300	121,000,000
Bond Reserve	17,510,700	0	0	17,510,700	17,510,700
Total	17,510,700	0	81,130,300	98,641,000	138,510,700
<u>Gas Fund</u>					
Operating Reserve	0	0	663,900	663,900	575,000
Bond Reserve	1,551,700	0	0	1,551,700	1,551,700
Total	1,551,700	0	663,900	2,215,600	2,126,700
<u>Water Fund</u>					
Operating Reserve	0	0	1,196,600	1,196,600	1,394,500
Bond Reserve	354,800	0	0	354,800	354,800
Total	354,800	0	1,196,600	1,551,400	1,749,300
<u>Sewer Fund</u>					
Operating Reserve	0	0	370,000	370,000	469,400
Bond Reserve	2,864,100	0	0	2,864,100	2,864,100
Total	2,864,100	0	370,000	3,234,100	3,333,500
<u>Airport Fund</u>					
Operating Reserve	699,200	0	0	699,200	713,200
Emergency Reserve	0	250,000	0	250,000	250,000
Bond Reserve	735,700	0	0	735,700	735,700
Total	1,434,900	250,000	0	1,684,900	1,698,900
<u>Solid Waste Fund</u>					
Rate Stabilization Reserve	0	0	5,304,900	5,304,900	5,304,900
Total	0	0	5,304,900	5,304,900	5,304,900
Grand Total	32,251,500	13,022,000	120,337,000	165,610,500	203,087,800