

## **Fiscal Year 2017 Budget Process**

The budget process is a formalized occurrence that involves collaboration and coordination among the respective city departments, Financial Management, 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.

### Public Input

The public is encouraged to provide input anytime of the year using various methods, such as City Commission meetings, City Commission budget workshops and resident surveys. Two statutorily required public hearings on the budget are also held in September each year to solicit public input.

For FY17, City leadership identified transparency as a top priority in the budget process. To that end, Florida local government professionals in the field of budgeting and open government were invited to conduct a peer review of the City's budget process. The objectives of the review were to provide recommendations related to the budget process, community engagement in the process and increased transparency of the budget process. The recommendations led to a number of improvements, including the City's use of OpenGov, an online financial transparency tool.

### Budget Review and Adoption

Departments are responsible for developing their respective budget requests with support from Financial Management. Throughout the year, City Commission budget workshops are held to discuss policy issues and long term ramifications of budgetary decisions. The City Commission adopts a tentative millage rate for the assessment of ad valorem taxes in early July as required by state statutes. The final budget and the millage rate are adopted by resolution during the month of September, following two statutorily required public hearings.

### Budget Structure

The FY17 budget plan was developed with a "hold the line" directive from the City Manager for all General Fund departments, StarMetro, and Internal Service Funds. Approved personnel cost increases, with the exception of those defined by collective bargaining agreements, are to be absorbed by the department over the course of the fiscal year through operational efficiencies. The City's enterprise operations developed budget plans based on revenue estimates consistent with the most recent rates studies.

### Budget Amendments

Budgetary control is maintained at the department level, with Financial Management 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. 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 Financial Management 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 reservations of fund balance. The operating budget does not include expenses for depreciation.

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The budgets for the city's utilities (Electric and Underground) and other enterprise operations (Aviation, Building Inspection, Solid Waste, Fire, 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 the Gas section of Underground Utilities, 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 submitted to Financial Management. Recommendations are made based upon the departments' priority listing and the level of funds available. This information is presented to the City Commission for consideration.

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