

FISCAL POLICIES

The City of St. Petersburg has adopted a comprehensive series of fiscal policies that embody recognized sound financial management concepts. These policies were originally approved by City Council in July 1980. Subsequently, the 1980 policies were updated and expanded, and codified in the City's Administrative Policies and Procedures. The most recent revision to this policy statement was approved by City Council July 19, 2002 (Resolution 2002-406); the City's detailed Investment Policy was revised and approved April 16, 2009 (Resolution 2009-215). Changes to these policies have been incorporated to keep them up to date. It is anticipated that these policies will be amended as part of the City's annual budget process and reconfirmed each year as a part of budget development.

The fiscal policies are organized under four subject headings:

General Fiscal Policy presents the overall guidelines for financial and accounting practices, including the basic framework for preparing the City's operating and capital budgets, maintaining accounting records, and funding services on a non-discriminatory basis.

Fiscal Policy for Annual Operating Revenue and Expenses 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.

Fiscal Policy on Investments provides guidelines for investing operating and capital balances.

Fiscal Policy for Capital Expenditures and Debt Financing directly relates to the resources and requirements of the Capital Improvement Program. Included are overall policies on issuance of debt, as well as guidelines applicable to specific fund types.

The City attempts to adhere to these fiscal policies in the conduct of its operations. However, it must be noted that these policies are guidelines and not statutory limitations. Some of the policies, particularly with regard to recommended fund balances, are designed as goals to be pursued, not necessarily achieved on an annual or ongoing basis. The City reserves the right to deviate from any or all of the fiscal policies if such action is determined by City Council to be in the best interest of St. Petersburg as a whole.

GENERAL FISCAL POLICY

I. POLICY:

A. *GENERAL*

1. The Annual Operating Budget of the City of St. Petersburg, Florida shall balance the public service needs of the community with the fiscal capabilities of the City. It is intended to achieve

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those goals and objectives established by Council for the next fiscal year. Service programs will represent a balance of services, but with special emphasis on the City's public safety, environmental health, economic development, employment, physical appearance, living conditions, and affordable housing. Services shall be provided on a most cost effective basis.

2. The City recognizes that its citizens deserve a commitment from the City to fiscal responsibility, and that a balanced operating budget is the cornerstone of fiscal responsibility. Annual operating expenditures (personal services, contracts, commodities, supplies, capital outlay, outside agency support, and transfers) will be fiscally balanced with revenues or income estimates that can reasonably and normally be projected to be received during the fiscal year. New programs or changes in policies that would require the expenditure of additional operating funds will either be funded through reduction in programs of lower priority or through adjustments to rates, service charges or taxes. Requests for new or modified programs or policies will be accompanied by an analysis of the short and long-term impact on the operational budget caused by such changed or new program or policy, with significant changes reported to the appropriate Council Committee and/or full Council.

3. New programs, services, or facilities shall be based on general citizen demand, need or legislated mandate.

4. The City shall prepare and implement a Capital Improvement Program (CIP), consistent with State requirements, which shall schedule the funding and construction of projects for a five-year period, including a one-year CIP Budget. The Capital Improvement Program shall balance the needs for improved public facilities and infrastructure, consistent with the City's Comprehensive Plan, within the fiscal capabilities and limitations of the City.

5. The City shall maintain its accounting records in accordance with generally accepted accounting principles (GAAP), applied to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). In addition, Federal and State grant accounting standards will be met.

6. Consistent with Council Resolution 2009-247, a financial report shall be distributed to City Council following the close of each fiscal quarter. This report shall include the City's investments, pension funds, debt, revenues, expenditures and fund balances, and shall be presented in a form and forum specified by Council.

7. The City shall provide funding for public services on a fair and equitable basis, and shall not discriminate in providing such services on the basis of race, color, national origin, religion, sex, sexual preference, marital status, age or disability.

8. Budgets for all City departments and all other City expenditures shall be under Council appropriation control.

9. Transfers between funds will be permitted with City Council approval which are consistent with City policies, resolutions, ordinances and external restrictions.

10. Inter-fund loans must be supported by a fiscally sound source of funds available for repayment and must comply with any applicable bond covenants.

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11. Preparation of the City's Budget shall be in such format as to allow correlation with the expenditures reported in the City's Annual Comprehensive Financial Report, with content of said Budget to include that required by Section 6.01 of the City Charter and section 13(c), Chapter 15505, Special Laws of the State of Florida, 1931, or as later revised by Ordinance of the City Council and now codified in §2-126 St. Petersburg City Code. Detailed estimates per Section 13(c)(1) shall be by Object Code at the Division or Program level, and summarized by Department.

12. An analysis shall be made to determine and project life cycle cost of ownership where appropriate, when it is proposed that the City lease or rent facilities or equipment from an outside source, and if such costs will commit the City to \$50,000 or more in any one year.

FISCAL POLICY FOR ANNUAL OPERATING REVENUES AND EXPENSES

I. POLICY:

A. ALL FUNDS

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 assigned.

2. Requirements

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

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d. Future capital improvement requirements and equipment replacement will be included in operating plans requiring such reserves as may be necessary.

3. *Fund Balance*

a. Maintaining adequate fund balance amounts is essential to the financial health of the City, to maintain high bond ratings and to ensure its ability to serve its citizens, meet emergency needs and unforeseen circumstances. 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. In compliance with governmental accounting standards the following terminology will be used in reporting the City's fund balances:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance – amounts constrained to specific purposes by external providers (such as grantors, bondholders, and higher levels of government).

Unrestricted:

Committed fund balance – amounts constrained to specific purposes by the City government's highest level of decision-making authority, i.e., City Council by resolution or ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City Council reverses or amends the applicable resolution or ordinance to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or recommended by the Mayor/Administration. There are two essential differences between committed fund balance and assigned fund balance. First, committed fund balance requires action by the highest level of decision making authority, whereas assigned fund balance allows that authority to be delegated to some other body or official. Second, formal action is necessary to impose, remove, or modify a constraint reflected in committed fund balance, whereas less formality is necessary in the case of assigned fund balance.

Unassigned fund balance – The General Fund, as the principal operating fund of the government, often will have net resources in excess of what can properly be classified in one of the four categories already described. If so, that surplus is presented as unassigned fund balance.

b. Recommended levels of “committed” and “assigned” fund balance in the Governmental funds other than the General Fund will be determined on a case by case basis, based on the needs of each fund and as recommended by City officials and/or approved by City Council. Proprietary funds which include all enterprise funds and Internal Services funds will calculate “committed” and “assigned” fund balances using net current assets amounts, for budgetary

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reporting only. Non-Major Enterprise funds and Internal Service funds will be determined on a case by case basis. Major Enterprise funds will include Water Resources, Stormwater and Sanitation.

c. Governmental Stabilization funds will be reported in the CAFR as committed fund balances in the appropriate fund and the level of funding will be reviewed annually by City Council. The purpose of a stabilization fund is to offset revenue shortfalls caused by a reduction in property values or other economic conditions. Stabilization funds may also be used to offset a loss of assets due to natural disasters or other emergencies. Additions to or reductions from a stabilization fund will be approved by City Council as part of the budget process or the supplemental appropriation process. Establishing the proper balances in stabilization funds will take into account risk exposure related to self-insurance and property insurance deductibles in the event of major storm damage to City assets. Transfers from stabilization funds will not be allowed if they would cause the fund to be in a deficit position.

d. The balances of each fund will be maintained by using a conservative approach in estimating revenues and a realistic forecast of expenses based on historical and/or projected costs.

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

B. *SPECIFIC GUIDELINES FOR INDIVIDUAL FUNDS*

1. *General Fund*

a. The General Fund is the principal operating fund of the City and will account for activities that are not reported in another type of fund for legal or managerial reasons.

b. 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 shall be earmarked to support the City of St. Petersburg Police and Fire departments.

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

d. 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. Special Revenue Funds will be used to account for specific revenue sources that are restricted to expenditures for specific purposes, such as non-enterprise revenue pledged for debt service. Business-like operations that cover only a substantial portion of their costs by user fees and charges, and therefore require ongoing operating subsidies, will be classified as Special Revenue Funds.

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b. The Emergency Medical Services Fund will be budgeted to be fully supported by revenue from Pinellas County.

c. 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 assets. Any funds not required for these purposes may be transferred to the General Fund after meeting any tax increment debt service shortfalls.

d. The Mahaffey Theater, Pier, Sunken Gardens, Tropicana Field, 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 funds will be used to account for those activities where the costs are expected to be funded substantially by external (non-City department) user fees and charges.

b. Enterprise Operating Funds will pay the General Fund their proportionate share of the cost of general administrative departments and a 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 Bond resolutions. (Public Utilities bond restrictions limit payments- in-lieu-of-taxes to fifteen percent (15%) of gross revenues).

Water Resources (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.

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

d. 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.

e. A review of cost of service and rate structures for Water Resources (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 that 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.

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f. 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 d, 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 may 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.

g. 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. Internal Service Funds will be used to account for the cost of providing specific goods or services to City departments where those services can reasonably be apportioned to the users on a cost-reimbursement basis.

b. 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.

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

d. 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.

FISCAL POLICY ON INVESTMENTS

I. POLICY

A. GENERAL

The investment of all surplus city monies is controlled by the City's Investment Ordinance and designed to meet the City's Investment Plan Resolution, with specific investment procedures outlined in the Treasury Division Procedures Manual. The City Investment Plan and Procedures are in conformance with Florida Statutes Chapters 166.261 and 218.415.

Some of the cash and investment procedures are as follows:

B. ALL FUNDS (except Pension Funds)

1. Daily Cash Balances

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a. All daily checking account balances will earn interest at a rate negotiated with a Qualified Florida Public Depository.

2. *Short-Term Cash Balances*

a. Overnight and short-term liquid cash balances may be deposited in Governmental Money Market Funds, or with the State Board of Administration's sponsored local government pool "Florida Prime Fund."

b. Arbitrage restricted bond proceeds for construction funds may be held in a separate Governmental Money Market Fund, or with the State Board of Administration's sponsored local government pool "Florida Prime Fund," and earn applicable overnight interest.

3. *Mid-Term and Long Term Balances*

a. All other cash balances will be reinvested in mid-term to long-term investments taking into consideration cash flow needs, risk tolerance, portfolio diversification, and rate of return.

b. Where feasible, the City shall solicit proposals from a minimum of two firms, when purchasing or selling securities. Exceptions to the competitive bid process may be made as outlined in the Treasury Division Procedures manual. Detailed documentation shall be maintained under any selection process used.

c. All investments must be held at a money center bank or trust bank in their trust department to include clearing activities, investment transfers and maturities, and reporting activity (exceptions include Governmental Money Market Fund balances, State Depository Certificates of Deposit, and Guaranteed Investment Contracts).

FISCAL POLICY FOR CAPITAL EXPENDITURES AND DEBT FINANCING

I. POLICY:

A. *ALL FUNDS*

1. *Revenue*

a. Revenue projections for the one-year Capital Improvement Program Budget and five-year Capital Improvement Program Plan shall be based on conservative assumptions of dedicated fees and taxes, future earnings and bond market conditions.

2. *Requirements*

a. Capital projects shall be justified in relation to the applicable elements of the City's Comprehensive Plan.

b. Estimated requirements for capital projects shall include all costs reasonably associated with the completion of the project.

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- c. The impact of each project on the operating revenues and requirements of the City shall be analyzed as required by the General Fiscal Policy stated above.
- d. Consistent with IRS regulations, timeframes for debt repayment will not exceed the average life of improvements.
3. *Long Term Debt:* Annual debt service payments will be level over the life of a bond issue, unless fiscal or other constraints dictate an alternative approach. A policy of full disclosure will be followed in all financial reports and official statements for debt.
4. *Medium Term Debt:* Lease-Purchase methods, bonds or other debt instruments may be used as a medium-term (4 to 10 years) method of borrowing for the financing of vehicles, other specialized types of equipment, or other capital improvements. The equipment or improvement must have an expected life of more than four years. The City will determine and utilize the least costly financing methods available. Such debt arrangements will be repaid within the expected life of the equipment or improvement acquired.
5. *Short Term Debt:* Short-Term borrowing may be utilized for temporary funding of anticipated tax revenues, anticipated grant payments, anticipated bond proceeds, or other expected revenues. Anticipated funding is defined as an assured source with the anticipated amount based on conservative estimates. Such borrowing may utilize a short-term note maturing before the end of the current appropriation period. Other short-term debt, such as tax exempt commercial paper, bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest advantage, or delays long-term debt until market conditions are more favorable. The City will determine and utilize the least costly method for short-term borrowing. Short-term debt may be refunded in accordance with applicable Federal laws.

B. *SPECIFIC GUIDELINES*

1. *General Capital Improvements:* General capital improvements, or those improvements not related to municipally-owned enterprises, shall be funded from Governmental Funds revenues or fund balances, the sale of revenue bonds or general obligation bonds, and from special revenues, assessments and grants.
- a. *Pay-As-You-Go Capital Improvements:* Pay-as-you-go capital improvements shall be funded from Governmental Funds revenues or fund balances, state and federal grants, special assessments, or other sources of revenue which may become available to the City. In the case of special assessments, abutting property owners shall pay for local neighborhood improvements, unless exempted by Council. Major capital projects related to the delivery of general public services shall be paid from general purpose revenues.

The One-Cent Infrastructure Sales Surtax, approved by referendum in November 1989 and approved for second and third ten-year periods in March 1997 and March 2007, shall be used on a pay-as-you-go basis. The City will strive to allocate the sales surtax funds in approximately the same proportions as presented in the 1989, 1997, and 2007 referendum materials. Over the combined remaining thirteen-year life of the program following the second reauthorization, the allocation of sales surtax dollars will be made in the following general proportions:

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Public Safety Improvements:	4 - 15%
Neighborhood/Citywide Infrastructure Improvements:	53 - 65%
Recreation & Culture:	22 - 32%
City Facility Improvements:	4 - 12%

For the third reauthorization, the allocation of sales surtax dollars will be made in the following general proportions:

Public Safety Improvements:	15 - 21%
Neighborhood/Citywide Infrastructure Improvements:	44 - 54%
Recreation & Culture:	20 - 35%
City Facility Improvements:	3 - 8%

It is recognized that the allocation of funds in any given year of the program may vary significantly from these parameters due to prioritization and scheduling of projects, and that significant reductions in Penny proceeds may require an amendment of these percentages.

b. *Special Assessments:* When special assessments are used for general capital improvements, demolitions, lot clearing, or reclaimed water system extensions, the interest rate charged will be established by City Council consistent with State law.

c. *Revenue Bond Debt Limit:* Sale of revenue bonds shall be limited to that amount which can be supported from Non-Ad Valorem revenues, including covenant revenue debt. The total net annual governmental revenue bond debt service shall not exceed 25% of the total governmental purpose revenue and other funds available for such debt service, less all Ad Valorem tax revenues. Net annual debt service shall be gross annual debt service less estimated interest on Debt Service Reserve Accounts and funds from other governmental units designated for payment of such debt service.

d. *Private Activity Revenue Bonds:* Private Activity Revenue Bonds will be limited to the issuing authority of the St. Petersburg Health Facilities Authority. The St. Petersburg Health Facilities Authority will review all bond applications and submit a recommendation to the City Council. The City and its Health Facility Authority will not be obligated either directly or indirectly for any debt service requirements.

2. *Enterprise Capital Improvements:*

a. *Pay-as-you-go Improvements:* Enterprise funds should support needed capital improvements on a pay-as-you-go basis to the greatest extent possible, except where analysis shows that it is in the city's best interest to issue debt for such improvements. Water Resources funds pay-as-you-go projects in accordance with the minimum bond covenant requirement.

b. *Revenue Bond Debt Limit:* Enterprise revenue bonds shall be used to finance revenue-producing capital facilities of the Enterprise Fund. Bond coverage will be provided from the Enterprise revenue sources, and may include General Fund revenue support.

c. *State Revolving Loan Fund:* The Public Utilities Fund has available a federally-funded, below-market interest rate loan pool. This pool may be used whenever its use is feasible and in the best interest of the City.