

## BUDGET GUIDE

The City's fiscal year runs annually from October 1<sup>st</sup> through September 30<sup>th</sup>. The Budget Process begins in February with budgetary planning and continues for eight months with budget preparation until final budget adoption, which occurs in September.

The budget process is a City-wide endeavor, with numerous individuals participating in process. While the process is led by the Finance Department's Budget Office, each Department tasks selected staff members with "departmental budget duties" who assist the Budget Office in completing their respective budgets and requests.

City departments analyze their prior year budgets and compile information for the proposed budget beginning October 1<sup>st</sup>.

The Budget Analyst prepares the Budget Preparation Manual for the City Departments to follow during the current year budget process. The following budget process details are included in the Manual to help guide the departments:

## BUDGET PROCESS

### Introduction

This section, as outlined in the Budget Preparation Manual, provides a high level summary of processes that guide departments through the FY 2022 budget process. To maximize efficiency, the Budget process can be grouped into component of tasks due a certain timeframes to help the Budget Office prepare all personnel, operating and capital expenditure budgets. These components include:

- Base Budget
- Reorganization Proposals
- Budget Adjustment Request Forms
- Departmental H.T.E. (System) Usage
- Departmental Narrative & Performance Measures
- Capital Improvement Plan (CIP) Formulation

All departmental staff receives a detailed budget calendar that outlines task start/due dates and assignments. The Fiscal Year FY 2022 Budget Calendar disseminated to Departments is as follows:

## FISCAL YEAR FY 2022 BUDGET CALENDAR

Start	Due	Assigned To	Task	Task Description
<b>FEBRUARY</b>				
02/19/21	02/19/21	Departments IT, FLEET	Cost Schedules	Cost schedules developed
02/25/21	02/25/21	Budget Office	Workshop	Budget Preparation Kick-Off Meeting
02/25/21	02/25/21	Budget Office	Website Updates	Budget Preparation Manual is posted to Public Folders & Budget Website

Start	Due	Assigned To	Task	Task Description
02/25/21	05/14/21	Departments ALL	H.T.E. Entry	Budget Module Opens 2/25/21: a) FY 21 Year End Estimates for all Revenues & all Expenses b) FY 22 Base Budget all Revenues & some Expenses Note: For FY 22 Base Budget Expenses - No payroll adjustments except PT, OT, Holiday, Standby & Payouts. Budget Requests or Capital Improvement Program (CIP) Requests are not entered by departments!
<b>MARCH</b>				
02/25/21	03/05/21	Departments ALL	Forms	Re-organization Request Forms - Submittals due to the Budget Office by 03/06/20
02/25/21	03/19/21	Departments IT, RISK, HR, FLEET	Allocations	FY 22 City Wide Allocations due to the Budget Office Risk Management Fund; Emp Health Insurance Fund; Other Employee Benefit Fund; Fleet Services Fund; IT Allocations
<b>APRIL</b>				
TBD	TBD	Budget Office Department - CMO	Meeting	PENDING - Expense Allocations Approval meeting
04/16/21	04/16/21	Departments ALL	Position Control Verifications	FY 22 Position Control Listings due to the Budget Office from all departments; notate changes or confirm accuracy
<b>MAY</b>				
02/25/21	05/14/21	Departments ALL	Forms	All Budget Requests & Capital Improvement Program (CIP) Requests are due to the Budget Office
02/25/21	05/14/21	Departments ALL	H.T.E. Entry	Budget Module Closes 5/14/21: a) FY 21 Year End Estimates for all Revenues & all Expenses b) FY 22 Base Budget all Revenues & some Expenses Note: For FY 22 Base Budget Expenses - No payroll adjustments except PT, OT, Holiday, Standby & Payouts. Budget Requests or Capital Improvement Program (CIP) Requests are not entered by departments!
05/14/21	05/14/21	Department - HR	Forms	New Position Request Forms due to the Budget Office - from HR
<b>JUNE</b>				
06/01/21	06/01/21	Brevard Tax Collector	TRIM	Preliminary taxable valuation data due to the Budget Office
06/07/21	06/14/21	Departments ALL	Meeting	Budget Requests/CIP Departmental Meetings with City Manager & Finance (refer to Budget Meetings Schedule for exact dates/times)
06/22/21	06/22/21	City Council Departments ALL	Workshop	Budget Workshop & Mid-Year Review
06/30/21	06/30/21	Departments ALL	Meeting	Budget Requests/CIP Approval meeting - City Manager
06/25/21	06/28/21	Brevard Tax Collector	TRIM	Certified taxable valuation data published
<b>JULY</b>				
07/15/21	07/15/21	City Council Budget Office	Meeting	Council Meeting - Approve tentative millage rate, roll back rate & public hearing dates
07/27/21	07/27/21	Budget Office	Document	Distribute Proposed Budget to City Council & Citizen Budget Advisory Board (CBAB)
<b>AUGUST</b>				
8/3/2021	8/3/2021	City Council Budget Office	Workshop	Budget Workshop
8/17/2021	8/17/2021	City Council Budget Office	Workshop	Budget Workshop (Optional)
<b>SEPTEMBER</b>				
09/07/21	09/07/21	City Council Departments ALL	Meeting	1st Public Hearing - Adopt tentative millage rate, first reading of Budget Adoption Ordinance & first reading of Utility Rate fee Ordinances
09/03/21	09/03/21	Budget Office Department - HR	Position Control Verifications	FY 22 Position Control listings provided to Departments for review of FTEs on 2nd Hearing Position Control Plan - Due 09/03/21
09/22/21	09/22/21	City Council Departments ALL	Meeting	2nd Public Hearing - Adopt final millage rate, second reading of Budget Adoption Ordinance, Utility Rate fee Ordinances & Resolutions for all other fees

Start	Due	Assigned To	Task	Task Description
<b>OCTOBER</b>				
10/01/21	10/05/21	<b>Budget Office</b>	Documentation	Prepare Minimum Fund Balance worksheet - Approved Budget
10/01/21	10/29/21	<b>Departments ALL</b>	Forms	Narrative, Performance Measurements & CIP project worksheets due to the Budget Office - Final FY 22 Approved Budget Document

## Base Budget

For the 2022 Fiscal Year, the base budget is built on a zero-based methodology requiring each Department to determine their own operating expenditures based on operational, contractual/audit and project needs. Adjustments to each departmental base budget are completed after City Manager and Finance Department reviews. Personnel expenditures are created by the Budget Office and all capital expenditure requests must be approved by the City Manager for inclusion for City Council review/approval. Instructions for base budget entries into H.T.E. are found in the Budget Entry section of this document. Departments must use the "Miscellaneous Information" section within the H.T.E. budget entry fields, to ensure the tracking of expenditures are made easier. Failure to enter line item detailed narrative and financial data within the "Miscellaneous Information" section will result in your submittal not being accepted until revised. Please note that base budget access in H.T.E. will be made available to departments beginning February 25, 2021.

## Reorganization Proposals

Departments planning to change divisions in FY 2022 (add/subtract/substantially reorganize) or planning to move employees/functions from one fund to another, or one department to another, must submit the proposed budget changes via e-mail to the Budget Office no later than March 5, 2021. Departments will also send a notification, if reorganizations are not proposed.

The Personnel Adjustment Request form is used for reorganization proposals related to movement of personnel. New positions or salary/pay increases (example-HEO I to HEO II) are not to be requested at this time.

## Budget Adjustment Request Forms

In FY 2022, three forms will be used to request adjustments to the base budget:

- Personnel Adjustment Requests
- Operating Adjustment Requests
- Capital Improvement Project (CIP) & Outlay Requests

All Personnel, Operating and Capital Requests must be submitted to the Budget Office, via e-mail at [Budget@palmbayflorida.org](mailto:Budget@palmbayflorida.org) by May 14, 2021. These requests are not entered into H.T.E. by individual departments; they will be entered into H.T.E. by the Budget Office once approved by the City Manager.

### Personnel Adjustments Requests

This form is utilized for the following purposes:

- Request reorganization/ personnel changes whose costs are within the base budget.
- Request new personnel that have an identified funding resource.
- Request new personnel without funding source.
- Inclusion all operating expenses associated with the personnel adjustment request.

### Operating Adjustments Requests

This form is utilized for the following purposes:

- Request additional operating expenses that fall outside of operational, contractual/audit and project needs.

- Request new operating expenses that have an identified funding resource.
- Request new operating costs without funding source.

### *Capital Improvement Project (CIP) & Outlay Requests*

This form is utilized for the following purposes:

- Request of any capital project and/or capital outlay expenses.

The Personnel Adjustment Request Forms allow departments to submit one cohesive request for additional full-time equivalent (FTE) positions. These request types generally include salaries, benefits and workers compensation; operating expenses such as uniforms, travel and training, operating supplies, fuel and maintenance cost for associated vehicles, etc.; and capital expenses such as vehicles, equipment, and computers. Providing a cohesive form ensures that items are not overlooked or omitted during the review process. All Personnel Adjustment Requests forms are fully reviewed by the Human Resources Department prior to budget consideration.

The Operating Adjustment Request Forms allow departments to identify specific requests outside of personnel and capital needs. Thorough justifications are needed, along with detailed accounts associated with the request. These types of requests fall outside of the operational, contractual/audit and project needs a department has. These types of requests should not keep a department from successfully operating during a Fiscal Year.

The Capital Improvement Project (CIP) and Capital Outlay Request Forms are required for any capital expenditure needs within the City. Details will include project numbers, names and locations, project dates and funding sources. Similar to operating adjustment requests, thorough justifications for the requests are needed including the impact on the departments operating budget (i.e. personnel and operating expenditures). An expenditure schedule is provided detailing requests by element types including design, planning, land, construction services, inspections, materials/equipment, permitting and inspections.

The following internal service departments must fully review any request impacting their service area:

- Human Resources - any personnel requests including full-time and part-time positions.
- Information Technology - any requests that require a need for technology hardware/software additions.
- Parks & Facilities - any requests that require a need for facility renovations/upgrades.
- Fleet Services - any requests for light vehicles and/or heavy equipment.

All personnel, operating and capital requests are prioritized based on funding source and departmental needs. High priority requests, which should be included in the department's base budget for the fiscal year, are based on new/on-going contractual obligations, or mandates through local/state/federal regulations.

### **Direct Use of H.T.E. By Departments**

Specifically, departments will enter/edit the following information in H.T.E.:

- FY 2021 Year-End Estimates: All current year account budgets will be used to form the initial year-end estimates, essentially implying that all budgeted funds will be expended. Departmental staff is expected to review this information for accuracy, modify the appropriate year-end estimates accordingly and enter operating expense detail information in the "Miscellaneous Information" sections. Year-end Estimate entry access will be given beginning February 25, 2021 and should be completed by May 14, 2021.
- FY 2022 Base Budget: Departmental staff will be given access to the Base Budget Level in H.T.E. beginning February 25, 2021 and all entries should be completed by May 14, 2021. Staff is tasked to

build their budgets on operational needs, in addition to new/on-going contractual obligations and mandates through local/state/federal regulations. Operating expense detail information must be entered into the "Miscellaneous Information" sections. Adjustments within the Base Budget, after City Manager and Finance Department review, are to be entered by the Budget Office only.

- FY 2022 Budget Adjustment Requests: Each adjustment request above the base budget level, approved by the City Manager for recommendation shall be entered by the Budget Office only.

After May 14, 2021, departments will have the ability to review the status of their proposed line items but will no longer be able to make changes. All changes, required after May 14, 2021, will be initiated through the Budget Office.

Upon review of the budget submissions by the City Manager, changes are made to the Budget and departments are notified of any changes thereafter. Changes may include new adjustment requests, additions, deletions and/or estimate updates. Instructions received by City Council during Budget workshops are also taken into consideration.

The Proposed Budget is submitted to Council for review on July 27, 2021; in addition, the budget is posted on the City's website and hard copies are provided to the Palm Bay libraries for citizen reviews. Budget workshops are hosted on August 3, 2021 and August 17, 2021 (second meeting optional) respectively providing City Council time to discuss any concerns. Any changes requested at workshops are incorporated into the Proposed Budget document with a following disclosure. The Proposed Budget is reviewed for final adoption during the statutory required first and second public hearing held on September 7, 2021 and September 22, 2021 respectively. The second public hearing serves as the adoption of the millage and debt levy rates resolution, budget adoption resolution, fee resolutions, utility rate ordinances, and the City's Classification/Pay Plan and Capital Improvements Program (CIP).

Once the budget is adopted in the month of September, departments work on their narrative and performance measures, and Capital Improvement Program (CIP) data for the Budget Document.

## Department Narrative Information

Each Department will have the following information listed in the [Departmental Summaries](#) section of the FY 2022 Budget.

- Department Title
- Mission Statement
- Core Services Descriptions
- FY 2021 Achievements (based on FY 2020 goals)
- FY 2022 Performance Measures with Objectives linked to the City's Strategic Plan, Priorities and Goals
- Summary of Expenditures & FTEs
- Personnel Changes & Explanations of Expenditure Variances of 10.0% or More

## Strategic Planning & Departmental Performance Measurement

On February 28, 2013, City Council ratified the strategic planning workshop summary with the seven strategic priorities listed on the following page. To-date, these strategic initiatives are still in place until a new Strategic Plan is formulated in FY 2022. The FY 2022 Approved Budget includes \$50,000 towards Consulting Services for the formulation of the new plan. At the time of publication of this document, the Request for Proposal (RFP) was still in the working scope phase and it is the City's goal to award the RFP in Spring 2022. Topics to be included in the RFP are a focus on the City's values, vision, mission, goals and objectives to include priorities adopted by City Council which will drive the budget process and fund allocations.

The seven strategic priorities are:

- Communications, Messaging and Identity
- Strategic Commercial and Industrial Corridors
- Working Smarter – E Government
- City's Relationship with Citizens
- Basic Municipal Service Delivery
- City's Role in Social Services
- Venues for Events

Four strategic goals for the City were defined as:

- Strong Local Economy
- Improved Roads and Highway System and Traffic Flow
- City Government: Financially Sound, Top Quality Services
- Quality Development and Redevelopment

An example of the Performance Measures format with section to be completed by department personnel is provided below:

## PROCUREMENT

### Departmental Summary

#### Mission

The mission of the Procurement Department is to be responsible and provide for the centralized procurement of quality materials and services at the best possible price and value, ensuring fairness and integrity for the City of Palm Bay government leaders and citizens.

#### Core Services

Provide for the fair and equitable treatment of all persons interested in the City's procurement practices. Maximize the purchasing value of public funds through various methods of procurement. Assure adherence to all laws, regulations, processes and procedures related to City procurement. Obtain goods and services at the best possible price and value in a timely manner to meet departmental needs.

#### FY 2021 Achievements

ACHIEVEMENT DESCRIPTION	STRATEGIC INITIATIVES
Launch of the Vendorlink platform for solicitation distribution. This service is provided to our vendor community at no cost to them, providing an easy-to-use, central portal for vendors to register to do business with the City, increasing transparency and competition, and providing efficiency to our operations.	Communicating, Messaging and Identity

## FY 2022 Objectives

OBJECTIVES	STRATEGIC INITIATIVES
Develop Vendor Training to assist our vendors and our community better understand how to do business with the City of Palm Bay.	City's Relationship with Citizens

## Performance Measures

STRATEGIC INITIATIVE	GOAL	MEASURE	FY 2019 TARGET	FY 2020 ACTUAL	FY 2020 TARGET	FY 2021 ACTUAL	FY 2022 TARGET
<b>WORKLOAD</b>							
Basic Municipal Service Delivery	City Government, Financially Sound, Top Quality Services	Number of end-user Procurement training sessions	6	7	6	9	6
<b>EFFICIENCY</b>							
Basic Municipal Service Delivery	City Government, Financially Sound, Top Quality Services	Average number of days to process formal bids (release to award)	55	51	55	61	55
<b>EFFECTIVENESS</b>							
Basic Municipal Service Delivery	City Government, Financially Sound, Top Quality Services	Cost savings of competitive formal quotes (% increase from awarded quote to high quote)				1	0

## Capital Improvement Plan (CIP) Formulation

The Capital Improvement Project (CIP) and Capital Outlay Request Forms, as previously outlined in the Budget Adjustment Request Forms section, will provide all information to be used in the development of the FY 2022 to FY 2026 Five-year Capital Improvement Plan (CIP).

Approved FY 2022 capital expenditures are disclosed by fund/account number, project number and name, funding source and the five-year schedule of estimated expenditures. Any capital expenditure requests starting beyond the FY 2022 budget, are added to the CIP for future year considerations.

Please refer to [Appendix B](#) of this document for a detailed listing of the FY 2022 to FY 2026 Five-year Capital Improvement Plan (CIP). Departmental project listings, including operational budget impacts, of FY 2022 approved requests are included in this Appendix.

## Budget Legal Basis & Compliance

The City Code relating to Finance and Budget, along with the City Charter and State Statutes, establishes the legal basis for the budget. The City Code contains only policy measures in adherence to law, allowing for flexibility in content, procedure and presentation of the annual budget and CIP document, which changes with industry standards from year to year.

The Annual Budget can be adopted by simple majority of Council members present at the public hearing. This ensures the adoption of the budget in a timely fashion to meet all State Truth in Millage (TRIM) requirements. Two public hearings are conducted at the City Council to inform the taxpayers and receive

their comments. These hearings were conducted on September 7, 2021 and September 22, 2021 respectively for FY 2022 budget approval. The Council-approved adopted budget is integrated into the accounting software system effective October 1<sup>st</sup>. It establishes the legal authority to incur expenditures up to the appropriated amount for each line item.

Per Florida State Statutes, Chapter 166, Section 166.241, the governing body of each municipality must adopt a balanced budget each fiscal year. A balanced budget is described as the amount available from taxation and other sources (revenues), including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The City of Palm Bay Management Administrative Code, Policy Number 19, Section 19.13-D further emphasizes that the budget *must remain balanced at all times*.

## Basis of Accounting

The system used by governments to determine when revenues have been realized and when expenditures have been incurred is known as the “Budgetary Basis of Accounting.” General government revenues and expenditure accounted for in funds are controlled by a formal integrated accounting system in accordance with various legal requirements, which govern the City’s operations.

The Governmental Fund Type Budgets for the City of Palm Bay are prepared on the *modified accrual basis of accounting* which means that revenues are recognized when they become measurable and available and expenditures are recognized when the liability is incurred.

Proprietary Fund Type Budgets are prepared on the *accrual basis of accounting* which means that revenues and expenditures are recognized when they occur. This process varies generally accepted accounting principles as a result of provisions made to treat encumbrances as budgeted expenditures in the year of the commitment to purchase.

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. While appropriations lapse at the end of the fiscal year, the succeeding year’s budget is automatically increased per the re-appropriations of encumbrances and capital projects with unencumbered balances.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

## Basis of Budgeting

The City of Palm Bay’s budget basis for expenditures differs from the basis used in reporting under Generally Accepted Accounting Principles in the following ways:

In the Governmental Funds, the City uses the modified accrual basis of accounting with the following exception:

- Budgets amounts are encumbered when contracts are signed for goods or services. At year-end, amount which are encumbered but not yet expended are carried over to be paid when the goods or services are received. These amounts are included in budget-basis expenditures for the fiscal year in which they are encumbered, rather than the year in which goods or services are received and a liability incurred. Appropriations that are not spent or encumbered lapse at the end of the fiscal year.

In the Proprietary Funds, the City uses the accrual basis of accounting with the following exceptions:

- The budget basis includes expenses for capital outlay, as opposed to an adjustment of the balance sheet account.
- Depreciation and amortization, which are considered expenses on the accrual basis of accounting, are ignored under the budget basis because these items do not require an expenditure of funds.
- Principal payments on long-term debt are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a Budget basis.
- Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget basis).

In all funds, encumbrances are treated as expenditures for purposes of calculating the balance carried forward as opposed to reservation of fund balance. Also, operating transfers are treated as revenues and expenditures.

The budget is prepared in a line item format, but published in an easy to read and understand summary format.

## **Budget Amendments**

The total budgeted expenditures cannot exceed the final appropriations once the budget is adopted. An individual fund may only be amended through formal approval of the City Council by an Ordinance. The City Charter authorizes the City Manager to approve the transfer of unencumbered amounts between any expenditure classification within an office, department or agency within the same fund. These internal transfers are reviewed by the appropriate operating manager, by the Budget staff, and (when affecting personnel services or capital outlay) by the City Manager. Budgetary integrity is established for control purposes at the category of expenditure level (personnel, operating, capital and transfers) and is tracked in the City's computerized financial system.

## **FINANCIAL POLICIES**

### **Budget Preparation & Adjustments**

The annual City budget shall be planned and prepared to conform to State law and Palm Bay City Code, Chapter 35 (budget portion of chapter is included in this section).

- The legal level of authority shall be at the department level.
- The annual City budget shall be approved by September 27 proceeding the fiscal year which begins October 1 and ends September 30.
- During the development of the budget, the impact of the proposed budget on the next two fiscal years will be evaluated.
- Once the budget has been adopted, the City Manager may authorize the transfer of any unencumbered appropriation balance between general classifications of expenditures within a department.
- At the close of each fiscal year, the unencumbered balance of each appropriation shall revert to the respective fund from which it was appropriated.

### **Investment Policy**

Investments in the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio and to meet the cash flow demands of City operations.

- To maintain the safety of public funds, the City shall diversify its investments to avoid incurring unreasonable and avoidable risk.

- The City's investment strategy shall provide sufficient liquidity to meet the City's operating, payroll, and capital requirements.
- The City's investment portfolio shall be designed with the intent of attaining a market rate of return throughout budgetary and economic cycles, while minimizing investment risk.
- Asset protection measures required by new Florida Statute changes have been incorporated.

## **Accounting & Reporting Policy**

All financial transactions of the City shall be properly authorized, documented, and reported.

- All disbursements of funds shall be within budget limits, authorized at the appropriate level, and supported with proper documentation.
- Quarterly financial and performance reports shall be prepared and distributed to the City Council, City Manager, and Department Heads.
- An independent audit of the City's financial books, records, statements, and reports shall be conducted by a Certified Public Accountant annually.

## **Position Authorization & Attrition**

Only positions authorized by City Council, funded in the budget, and operationally warranted shall be filled.

- Positions shall be authorized by City Council annually through the budget process or by amendments as needed and as funding exists.
- Vacant positions will be reviewed by the Department Head and the Human Resources Director before the position is filled to ensure the need and urgency of filling the position warrants immediate recruitment.

## **Grant Management**

Outside sources of revenue through grant funding shall be maximized. However, careful consideration of departmental objectives and programming priorities shall be given before grant applications are prepared. Duplication of services shall be avoided, and expanded levels of service shall be analyzed thoroughly before proceeding with a funding request.

Grant Management is spearheaded by the Special Projects Manager within the City Manager's Office. A full grants management policy and program is currently in development outlining the City's requirements from grant applications through acceptance and award. While the Special Projects Manager identifies various grants valuable to the City, each department is still tasked with sourcing grant information pertinent to their respective areas. The Special Projects Manager will serve in an assisting capacity ensuring the process to followed according to the standards in development.

## **Debt Management**

Borrowing in the City shall be undertaken in a manner which seeks to ensure efficiency and equity for the taxpayers.

- Efficiency means getting the best return for a given commitment of resources. When the efficiency, with which government services are performed, can be greatly increased by substituting capital expenditures for current expenditures, debt shall be considered.
- Equity means that the beneficiaries from capital expenditures shall pay for them. Maturity of the debt shall be approximately equivalent to the period over which the capital will be used.

## **Working Capital & Fund Balance**

The following working capital and fund balance reserves shall be maintained:

- The General Fund shall reserve an amount equal to two-months of budgeted operating expenditures (less transfers, capital outlay or reserves).
- Per House Bill 447, the total estimated annual revenue derived from fees, and the fines and investment earnings related to the fees, may not exceed the total estimated annual cost of allowable activities. Any unexpended balances shall be carried forward to future years for allowable activities or shall be refunded at the discretion of the local government.
- Adequate fund balances and reserves shall be maintained in the Debt Funds to ensure timely payment of debt obligations when due.
- Adequate amounts of retained earnings shall be maintained in the Utility Funds to comply with bond covenants. Reserves are maintained at 90 days of operating expenditures of the subsequent fiscal year's budget.
- In the Employee Health Insurance Fund, two months claims anticipated cost shall be maintained as contingency fund balance.
- In the Risk Management Fund, the anticipated claims payable for the next fiscal year, as actuarially determined, shall be maintained as unreserved fund balance.
- Adequate fund balances and reserves within the Fleet Services Fund shall be maintained at 15.0% personnel, operating and debt service costs.

## Reservation of Capital Assets

Sufficient funds shall be appropriated each year for the purpose of preserving and replacing capital assets that are vital to the ongoing delivery of government services.

- Specific schedules for routine capital maintenance of City facilities shall be developed and funded as revenues allow.
- Specific schedules for the replacement of vehicles and computer equipment shall be developed and funded as revenues allow.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Palm Bay, Florida (the "City") are prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below:

### The Reporting Entity

The City is a political subdivision incorporated on January 1, 1960 in the State of Florida and located in Brevard County. The legislative branch of the City is composed of a five (5) member elected Council, including a city-wide elected mayor. The City Council is governed by the City Charter, and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed city manager.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component unit is described as follows:

The Bayfront Community Redevelopment Agency (the “BCRA”) is an incremental tax district created by City ordinance pursuant to Section 163.356, Florida Statutes. The City Council appoints an advisory board to administer the activities of the BCRA. The Board approves the budget and provides funding. The City performs all accounting functions as well as facilitates operational responsibilities for the activities of the BCRA. Its services are provided exclusively to the City. The BCRA is classified as a special revenue fund.

## Government-wide & Funds Financial Statements

The government-wide financial statements report information on all the non fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements to minimize double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs that are allocated to functions and activities in accordance with the City’s adopted indirect cost allocation plan. The “expenses” column includes both direct and indirect expenses. Program revenues include:

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are *restricted* to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund. The fiduciary fund is excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The internal service funds are included in governmental activities in the government-wide financial statements.

## Measurement Focus, Basis of Accounting & Financial Statement Presentation

### Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and comparable items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are user fees between the City’s enterprise funds and other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

## Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within four months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes when levied, franchise fees, licenses, intergovernmental revenues when eligibility requirements are met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and if available have been recognized as revenues of the current fiscal period. All other revenue items are measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Bayfront Community Redevelopment Agency Fund is used to account for ad valorem tax increment revenues accumulated for community development in the areas where the taxes were assessed.
- The 2019 G.O. Road Program Fund and the 2021 G.O. Road Program Fund are used to account for the bond proceeds earmarked for maintenance and repair of citywide roadways.

The City reports the following major enterprise funds:

- The Utilities Fund, accounts for the fiscal activities of the City's water and wastewater treatment and distribution operations as well as the funding and payment of related debt.
- The Stormwater Utility Fund is used to account for fees and services associated with management of the City's Stormwater system..

Additionally, the City reports the following fund types:

- The Internal Service Funds account for certain activities of the City's risk management, employee benefit programs and its fleet operations. Activities include premium and benefit payments, legal expenses incurred related to activities not specifically covered by City insurance policies, collections of settlements or refunds from related cases, and charges to City departments for fleet services and a vehicle replacement program.
- The Pension Trust Fund accounts for the activities of the City's Police and Firefighters Retirement System, ("PBP & FPF") which accumulates resources for pension benefit payments to certain general government employees and qualified police and fire employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both *restricted* and *unrestricted* resources are available for use, it is the City's policy to use restricted resources first for their intended purposes, and then *unrestricted* resources, as they are needed.

## Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, money market accounts, money market funds, Negotiable Order of Withdrawal, and cash with fiscal agent.

## Investments

Investments are stated at fair value, except for investments in the Florida State Board of Administration Local Government Pooled Investment Funds ("SBA"), an external investment pool which complies with criteria set forth in Section 150: Investments of the GASB codification. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA's underlying portfolio.

## Receivables

### Property Tax Receivables

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

All real and tangible personal property taxes are due and payable on the levy date of November 1 of each year or as soon thereafter as the assessment roll is certified by the Brevard County Property Appraiser (levy date). The Brevard County Tax Collector collects and distributes all taxes. Taxes may be paid upon receipt of notice from the Tax Collector, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible property become delinquent on April 1 and a lien is executed on or before May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year-end.

### Accounts Receivables

Utilities Fund operating revenues are generally recognized based on cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption taken at the beginning of October and billed in October. Accounts receivable balances are shown net of the allowance for uncollectible accounts. The allowances are determined based on management estimates of uncollectible amounts.

## Inventory & Prepaid Items

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are valued at lower of cost or market, using the first-in/first-out ("FIFO") method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of a prepaid item is recorded as an expenditure/expense when consumed rather than when purchased.

## Restricted Assets

The uses of certain assets of the Utilities Fund are restricted by specific provisions of bond resolutions and other agreements. Assets so designated are identified as restricted assets on the statement of net position.

## Encumbrance

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders contracts and other commitments outstanding at year-end do not constitute expenditures for liabilities. GASBC 1800: *Classification and terminology*, provides additional guidance on the classification within the Net Position section of the amounts that have been encumbered. Encumbrances of balances within the General fund are classified as assigned; Special Revenue and Capital Projects funds are classified as *committed* and *restricted*. These encumbrances are not separately stated in the financial statements.

## Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, easements, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$250,000 and have estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In governmental funds capital purchases (capital assets) are reported as expenditures.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
<b>Buildings &amp; Improvements</b>	25-50
<b>Utilities System</b>	25-40
<b>Infrastructure</b>	15-20
<b>Equipment</b>	5-20
<b>Vehicles</b>	3-10

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has three items that qualify for reporting in this category; they are deferred charges on refunding, deferred outflows related to pensions and deferred outflows related to

OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions, pursuant to GASBC P20: *Pension Activities* are unrealized contributions and losses related to pension costs. See Note 9 Employee Retirement Systems.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents revenue collected that applies to a future period and will not be recognized as revenue until then. The City has four items in this category, which arises under both the full accrual and modified accrual basis of accounting; unavailable revenue regarding business tax licenses that have been paid in advance, deferred amounts related to pensions, unamortized gain on refunding, pursuant to GASBC P20: *Pension Activities*, and deferred amounts related to OPEB.

## Pension

For purpose of measuring the net pension liability and deferred outflow/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Fire and Police Retirement System and Florida Retirement System ("FRS") plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by PBP & FPF and FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Amortization of Bond Discount & Premium

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the term of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/ expenses when incurred.

## Compensated Absences

All full-time permanent employees accrue sick and vacation benefits according to the following table: Employee terminating in good standing with unused annual leave will be paid up to a maximum of 240 hours. Sick leave will be paid up to a maximum of 500 hours but based on years of service and position.

Compensated Absences	Vacation			Sick		
	Accrual Per Month	Max	Payout*	Accrual Per Month	Max	Payout*
Employees hired prior to September 1, 2017	8-14 hrs	320**	320**	8-12 hrs	1152***	500
Employees hired after to September 1, 2017	8-10 hrs	240	240	8 hrs	500	500
*Employee must be in good standing upon termination. Sick Payouts based on Years of Service and Position **Max will change to 240 hours once drops below 240 by payouts and use of annual leave ***Max will change to 500 once drops below 500 by payouts and use of sick leave						

The City records compensated absences in governmental funds as expenditures for the amount accrued during the year that would normally be liquidated with expendable, available financial resources and to

the extent they are due as of the end of the fiscal year. The City accrues compensated absences in the period they are earned in the government-wide and enterprise fund financial statements.

## Fair Value Measurement

The City categorizes its fair value measurements with the hierarchy established by GASBC Section 150: *Investments*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

## Capital Contributions

Capital Contributions consist of amounts from federal and state aid programs, developers, and water and sewer stabilization fees charged to customers for initial hookup to the Utilities System's water and sewer lines. Contributions are recognized when earned or when legal title is transferred to the City for contributed capital assets.

## Net Position

In the government-wide financial statements and in the proprietary fund statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Position* – This category represents the net position of the City, which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors, laws, regulations of other governments, through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents the net position of the City, which can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Deficit unrestricted net position if any would require future funding.

## Fund Balance

*Nonspendable* – This category includes items that are not in spendable form because they are either legally or contractually required to be maintained intact such as inventory, prepaid and long-term amounts of loans and notes receivable.

*Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

*Committed* – The portion of fund balance that can be constrained for a specific purpose imposed via resolution by the Palm Bay City Council (the highest level of decision-making authority). Commitment of fund balance may be made for such purposes as a)major maintenance and repair projects, b)meeting obligations resulting from a natural disaster, c)accumulating resources pursuant to stabilization arrangements, d)establishing reserves for disasters and or, e)for specific projects. Any changes or removal of committed fund balance must be sanctioned by the Palm Bay City Council through the same process that facilitated the original commitment.

*Assigned* – Includes items intended for specific uses and authorized by the City Manager and or Finance Director. The Palm Bay City Council designated the aforementioned representatives as the delegated officials that can assign portions of the fund balance as evidenced by Resolution 2011-34.

*Unassigned* – Residual classification used for those balances not *assigned* to another category in the General Fund. Deficit fund balance in other governmental funds is also presented as *unassigned*.

SBC 1800: *Classification and terminology* requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize assignment of fund balance. On August 4, 2011, City Council by resolution 2011-34 authorized the Finance Director rights to assign resources and ending fund balances. GASBC 1800: *Classification and terminology* also requires a spending policy to ending fund balances. The spending policy states in what order fund balance categories are spent. On August 4, 2011 by resolution 2011-34, the Council approved the following fund balance order of spending: (1) *restricted* fund balance first, and then (2) *committed* fund balance, then (3) *assigned* fund balance, and (4) *unassigned* fund balance. The General Fund maintains a minimum fund balance of 10% of the subsequent year's budgeted expenditures less capital outlay and transfers.

## Palm Bay Code of Ordinances

### **BUDGET**

#### **§ 35.020 DEFINITIONS.**

For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

**BUDGET YEAR.** The fiscal year for which any particular budget is adopted and in which it is administered.

('74 Code, § 9½-31)

**TRIM.** Truth in Millage, as set out in Fla. Stat. § 200.065, and Compliance of, § 200.068. (Ord. 76-4, passed 4-1-76; Am. Ord. 96-54, passed 10-3-96)

#### **§ 35.021 PROPOSED BUDGET.**

The City Manager shall, no later than August 10th, submit a detailed proposed budget for the upcoming fiscal year to the City Council for consideration. The proposed budget shall contain, for comparative purposes, the current budget, current year estimated actuals, and prior fiscal years' actuals. The proposed budget shall be submitted to the Council and made available for public inspection upon receipt of said budget by Council. If for any reason, the City Manager cannot deliver the budget on August 10th, he or she shall notify the City Council and request an extension for a period of time not to exceed fifteen (15) days.

(Ord. 2002-29, passed 3-21-02; Am. Ord. 2003-07, passed 3-20-03; Am. Ord. 2007-51, passed 7-19-07)

#### **§ 35.022 BUDGET A PUBLIC RECORD.**

The budget and Capital Improvements Program Plan shall be available for public inspection at City Hall. The City Manager shall cause sufficient copies of a summary of the proposed annual budget to be prepared for distribution to any interested person.

('74 Code, § 9½-33) (Ord. 76-4, passed 4-1-76; Am. Ord. 96-54, passed 10-3-96; Am. Ord. 2000-17, passed 6-1-00)

#### **§ 35.023 PUBLIC HEARINGS.**

All timetables, type of public notifications, number of public hearings, hearing dates, conduct and contents, advertisements, and such are set through TRIM and shall be strictly adhered to.

(Ord. 96-54, passed 10-3-96)

#### **§ 35.024 (RESERVED).**

#### **§ 35.025 (RESERVED).**

#### **§ 35.026 ADOPTION.**

(A) All timetables, advertisements, public notifications, and procedures relating to the adoption of the tentative budget and final budget are set through TRIM and shall be strictly adhered to.

(B) *Vote required.* The budget shall be adopted by the favorable votes of a simple majority of the members of the Council present at the public meeting.

('74 Code, § 9½-38)

(C) *Date of final adoption.* The budget shall be finally adopted not later than the 27th day of the last month of the fiscal year.

('74 Code, § 9½-39)

(Ord. 76-4, passed 4-1-76; Am. Ord. 96-54, passed 10-3-96; Am. Ord. 2000-17, passed 6-1-00; Am. Ord. 2014-50, passed 10-14-14)

**§ 35.027 EFFECTIVE DATE, CERTIFICATION.**

Upon final adoption, the budget shall be in effect for the budget year. A copy of the budget, as finally adopted, shall be certified.

('74 Code, § 9½-40) (Ord. 76-4, passed 4-1-76; Am. Ord. 2000-17, passed 6-1-00)

**§ 35.028 BUDGET ESTABLISHES APPROPRIATIONS.**

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several objects and purposes therein named.

('74 Code, § 9½-41) (Ord. 76-4, passed 4-1-76)

**§ 35.029 PROPERTY TAX.**

All timetables, limitations, public notifications, public hearings, advertisements, and such, as related to the setting and adoption of a tentative and final millage rate for the purpose of raising property taxes within the municipality are set through TRIM and shall be strictly adhered to.

(Ord. 96-54, passed 10-3-96)

**§ 35.030 (RESERVED).**

**§ 35.031 (RESERVED)**

**§ 35.032 (RESERVED)**

**§ 35.033 (RESERVED).**

**§ 35.034 (RESERVED).**

**§ 35.035 TRANSFER OF FUNDS; BUDGET AMENDMENTS.**

(A) The Council, by resolution, shall have the authority to transfer any unencumbered appropriation balance or portion thereof to any lawful purpose between departments within the same fund providing that such transfer does not exceed the total appropriation for that fund.

(B) The City Manager shall cause to be submitted to the City Council ordinances to amend the budget on a quarterly basis, as necessary, and the City Council shall have the authority to increase and decrease budget appropriations in any department, division, or fund, by appropriating previously unappropriated fund balances, recognizing new or additional revenues, or decreasing revenue estimates, or by transferring unencumbered appropriation balances between funds, to any lawful purpose, providing that such appropriation, decrease, or transfer of expenditures and revenues must be equal, and providing that such use does not conflict with any uses for which such revenue specifically accrued.

('74 Code, § 9½-51) (Ord. 76-4, passed 4-1-76; Am. Ord. 96-54, passed 10-3-96)

**§ 35.036 LIMITATION OF APPROPRIATION.**

At the close of each fiscal year the unencumbered balance of each appropriation shall revert to the respective fund from which it was appropriated and shall be subject to future appropriation. However, funds previously approved by the City Council and appropriated for Capital Improvements Projects, whether or not encumbered, shall continue to be considered a reappropriation in the ensuing fiscal year only for the original purpose, or as amended by the City Council, for which such appropriation was approved and until such time as the project is completed. At the close of each fiscal year, the balance of each appropriation encumbered by a legal obligation, such as a formal contract or purchase order, shall be carried over, along with equal fund balances to cover payment, and considered an automatic reappropriation into the ensuing budget year. No monies shall be drawn from the treasury of the city nor shall any obligation for the expenditure of money be incurred, except pursuant to appropriation heretofore described.

('74 Code, § 9½-52) (Ord. 76-4, passed 4-1-76; Am. Ord. 96-54, passed 10-3-96)



