



Municipal Finance

**ALM ORIENTATION CONFERENCES
NOVEMBER 2016**

**JARROD SIMMONS
FCO/CITY ADMINISTRATOR
CITY OF JACKSONVILLE**

Borrowing Powers



- **Bonds**
 - Authority 11-81-51
 - Broad purposes
 - Election
- **Warrants**
 - Authority 11-81-3, 11-81-4, 11-47-1 – 11-47-3
 - Without election
 - May not exceed 30 years

Borrowing Powers



- **Debt Limit**
 - Amendment 268 (Section 225)
 - May not exceed 20 percent of assessed value of property within municipality
 - Exceptions
 - ✦ School related debt
 - ✦ Short-term
 - ✦ Others
 - ✦ Incorporated Municipal Boards

Borrowing Powers



- **Bond/Warrant Process**
 - Bond Counsel
 - Underwriter
 - Rating
 - Pricing and Sale of Bonds/Warrants
 - Project
 - Payback
- **Current Atmosphere**

The Municipal Budget



- **Definition**
 - Resources
 - Objectives

- **Roles**
 - Mayor
 - Manager/Administrator
 - Council
 - Department Head
 - Citizen

Budget Cycle



- Preparation
- Approval
- Implementation
- Evaluation/Audit

Budget Preparation



- **Local laws and enabling legislation**
 - Mayor – Council
 - Council – Manager

- **Sample Calendar**
 - **April - June – Initial projections**
 - **June - July – Departments**
 - **July - August – Deliver to Council**
 - **September - Approval**

Budget Preparation



- Roles
 - Spending vs. Treasury



- Bias
- Information

Budget Methods



- Incremental
- Performance Based
- Participatory
- Zero-Based
- Hybrid

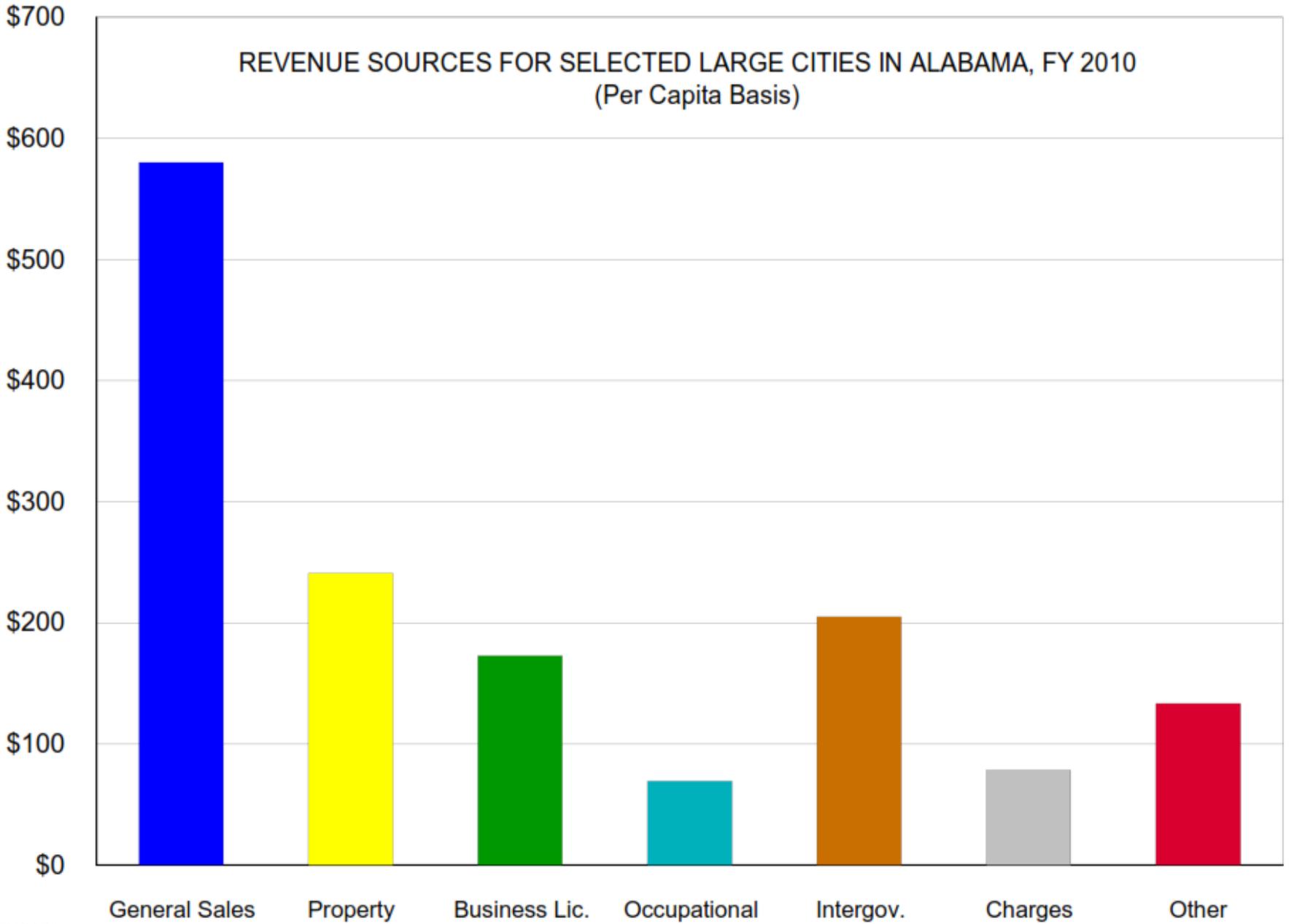
Budget Framework	Characteristics	Factors to Consider
Incremental	Small changes are made to the previous budget, based on current circumstances	Easy to implement; however, budgeted amounts may not be subjected to sufficient scrutiny
Performance-Based	Resources are allocated based on desired performance levels of specific programs or services	Difficult to implement in practice; many municipal services are mandated by statute regardless of whether they are "efficient"
Participatory	Levels of services are guided by the views and attitudes of local citizens	Difficult to implement in practice; citizens participating may not be representative of the community and/or may only consider their own desires, not what is best for the majority
Zero-Based	Each departmental budget request must be justified, starting from a zero-base	A very time-consuming budget process; many programs or services are mandated by statute, making a zero-base unrealistic
Hybrid Approach	A combination of two or more budgeting frameworks	Municipal officials can use the best characteristics of selected methods or those methods that best match the needs and capabilities of the constituency

Budget Preparation



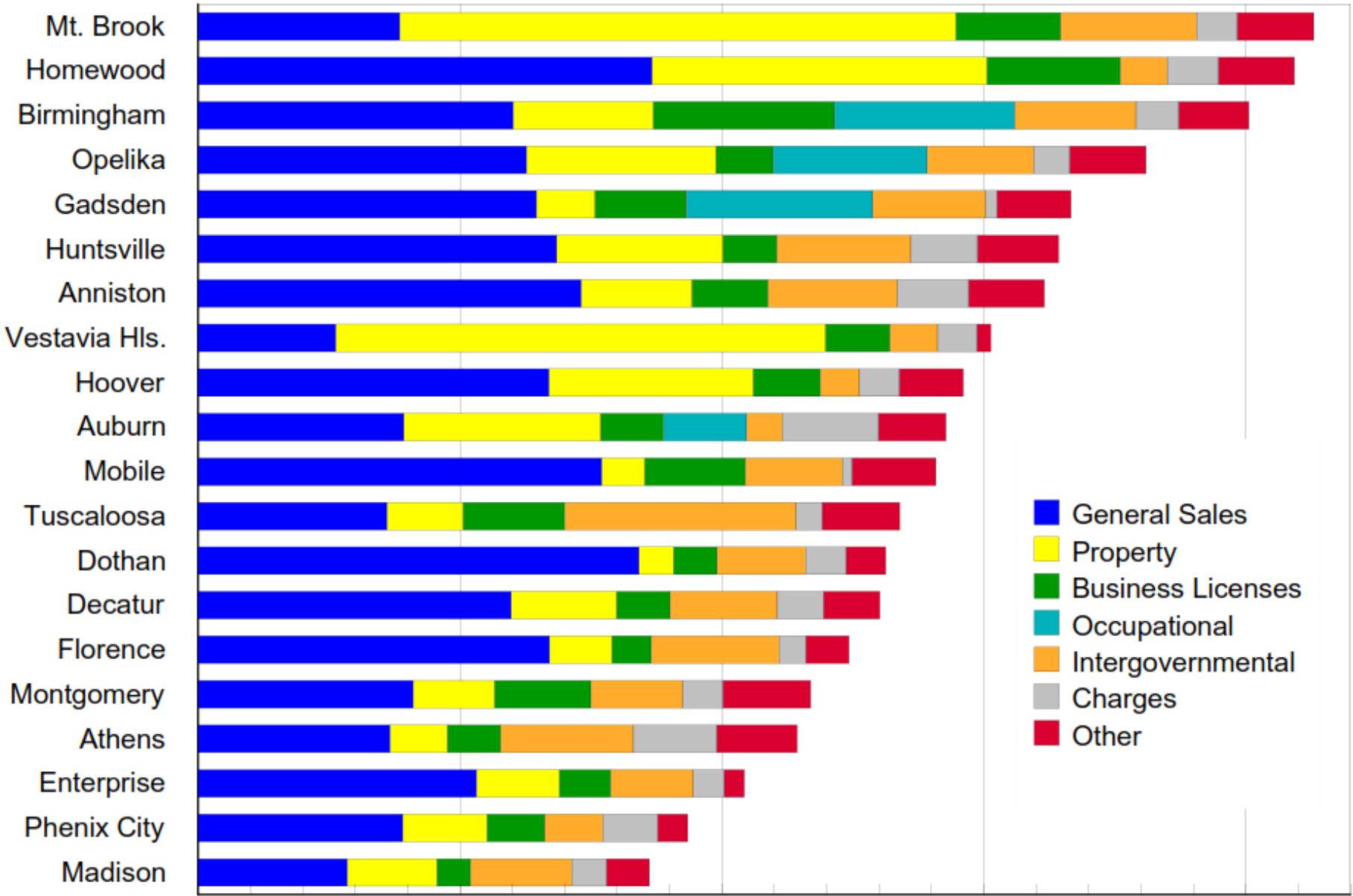
- Resources = Revenues
 - Sales tax
 - Ad valorem
 - Business licenses
 - Franchise fees
 - Payments for services
- Special revenues*

REVENUE SOURCES FOR SELECTED LARGE CITIES IN ALABAMA, FY 2010
(Per Capita Basis)



Source:
PARCA Quarterly Fall 2012

REVENUE SOURCES FOR EACH CITY (Per Capita Basis)



Source: PARCA Quarterly Fall 2012

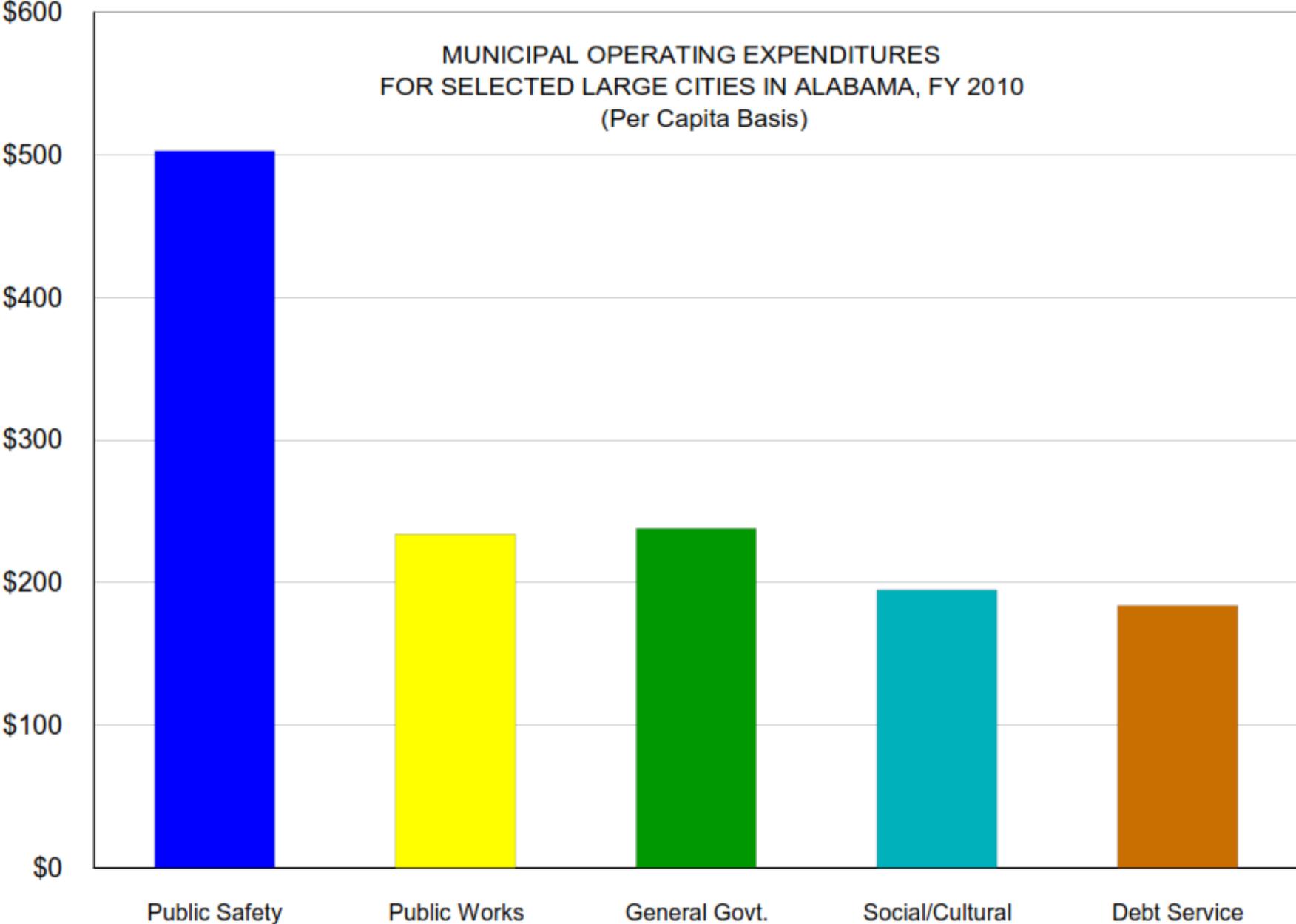
\$0 \$500 \$1,000 \$1,500 \$2,000

Budget Preparation



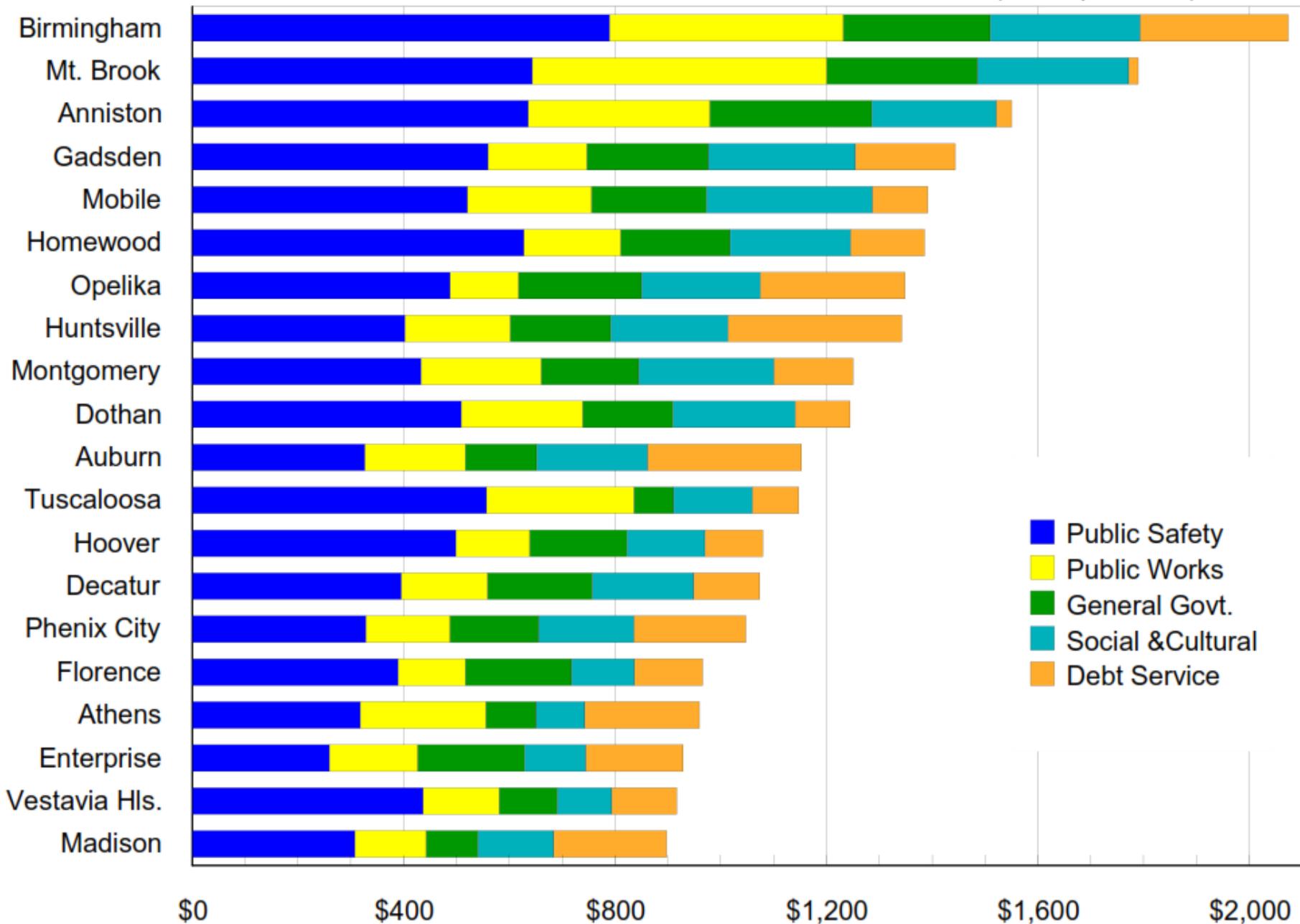
- Expenditures
 - Personnel
 - ✦ Compensation
 - Departments
 - Capital Projects
 - Debt
 - Appropriations

MUNICIPAL OPERATING EXPENDITURES
FOR SELECTED LARGE CITIES IN ALABAMA, FY 2010
(Per Capita Basis)



Source: PARCA Quarterly Fall 2012

MUNICIPAL OPERATING EXPENDITURES FOR EACH CITY (Per Capita Basis)



Budget Preparation - Presentation



- Preparation Complete
- Presentation
 - Council
 - Citizens
 - Department Heads
- GFOA Distinguished Budget Award

$\frac{20}{200}$

E

$\frac{200 \text{ FT.}}{61 \text{ M}}$

1

$\frac{20}{100}$

F P

$\frac{100 \text{ FT.}}{30.5 \text{ M}}$

2

$\frac{20}{70}$

T O Z

$\frac{70 \text{ FT.}}{21.3 \text{ M}}$

3

$\frac{20}{50}$

L P E D

$\frac{50 \text{ FT.}}{15.2 \text{ M}}$

4

$\frac{20}{40}$

P E C F D

$\frac{40 \text{ FT.}}{12.2 \text{ M}}$

5

$\frac{20}{30}$

E D F C Z P

$\frac{30 \text{ FT.}}{9.14 \text{ M}}$

6

$\frac{20}{25}$

F E L O P Z D

$\frac{25 \text{ FT.}}{7.62 \text{ M}}$

7

$\frac{20}{20}$

D E F P O T E C

$\frac{20 \text{ FT.}}{6.10 \text{ M}}$

8

General Fund Revenue Summary

Revenues	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Actual	FY 14 Original	FY 14 Revised	FY 14 YTD Actual	FY 14 Projected	FY 15 Approved
Ad Valorem Taxes	782,901	807,413	790,704	797,787	800,000	800,000	813,160	815,000	815,000
Sales & Use Taxes	5,305,735	5,389,711	5,418,124	5,523,401	5,500,000	5,500,000	4,305,944	5,600,000	5,600,000
Housing Auth in lieu of Taxes	16,074	15,882	15,882	15,882	15,883	15,883	15,882	15,882	15,882
5% Gross Receipts Tax-WWGSB	252,141	238,626	199,179	204,472	240,000	240,000	210,325	240,000	240,000
Ad Valorem Taxes Fire Service	285,845	304,901	288,155	292,247	295,000	295,000	289,994	295,000	295,000
Sales/Use Taxes-Capital Projects	-	-	1,216,640	1,373,200	1,325,000	1,325,000	1,067,684	1,400,000	1,400,000
Ad Valorem Tax-Motor Vehicles	108,519	91,310	108,909	112,803	105,000	105,000	90,426	105,000	105,000
Motor Fuels Taxes	88,549	79,553	73,654	84,641	75,000	75,000	60,215	80,000	75,000
Tobacco Products Taxes	95,750	87,292	86,845	94,429	86,000	86,000	66,438	86,000	86,000
Beer Taxes	45,858	48,812	48,812	48,812	48,000	48,000	48,869	48,000	48,000
Wine Taxes	5,401	6,519	6,889	7,086	7,000	7,000	5,074	7,000	7,000
Liquor Taxes	11,928	10,654	10,031	13,992	11,000	11,000	9,799	12,000	12,000
Rental & Lodging Taxes	40,204	41,308	61,692	106,193	80,000	80,000	88,900	110,000	115,000
Business Licenses	1,219,163	1,241,643	1,279,561	1,308,928	1,275,000	1,275,000	1,271,519	1,280,000	1,280,000
Bldg & Constr.Permits	26,261	16,992	25,168	22,316	30,000	30,000	40,516	42,000	35,000
Yard Sale Permits	705	735	738	681	700	700	618	700	700
Animal Licenses	888	357	255	339	400	400	216	400	400
POLICE-SO Reg Act 2011	-	-	150	100	200	200	-	200	200
Bldg Inspection Fees	284	181	215	739	500	500	554	500	500
Fingerprinting Fees	690	530	380	630	500	500	320	500	500
Fire Run Report Fees	2	4	4	54	-	-	2	5	-
Accident Reports	1,346	1,842	1,862	1,653	1,850	1,850	1,116	1,850	1,850
Copying Fees	147	89	144	94	100	100	100	100	100
PARD-Recreation Fees	50,765	47,305	43,892	40,326	48,000	51,500	40,519	50,000	50,000
Garbage Collection Fees	478,525	414,023	447,279	452,550	446,000	446,000	423,737	450,000	450,000
Health & Sanitation Fees	367,294	342,051	343,724	348,918	344,000	344,000	325,469	344,000	345,000
Ambulance Fees	417,229	354,939	358,968	382,891	390,000	390,000	408,991	435,000	425,000
Sale of Maps & Publications	4	8	69	579	75	75	2,136	2,200	2,500

General Fund Expenditure Summary

Department	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Actual	FY 14 Original	FY 14 Revised	FY 14 YTD Actual	FY 14 Projected	FY 15 Approved
General Government	1,001,957	1,015,737	1,013,112	2,063,239	2,057,900	2,058,900	1,839,448	2,029,902	1,969,850
Mayor's Office	116,290	114,438	115,869	120,240	134,169	134,169	106,146	122,065	128,363
City Council	36,459	35,895	36,354	37,989	40,986	40,986	37,001	40,986	41,486
Finance	246,649	242,519	234,234	243,496	278,672	278,672	233,357	269,492	292,973
Planning	-	-	109,592	103,345	119,068	119,069	100,870	116,701	117,325
Janitorial	35,394	36,593	35,651	37,162	38,923	38,923	35,948	41,164	39,940
Building	217,101	219,631	129,328	118,661	130,806	130,806	110,910	127,832	127,629
City Clerk	130,700	139,307	140,648	148,454	152,441	156,406	128,529	162,604	143,208
Safety	679	383	57	144	200	200	-	-	-
Human Resources	73,372	59,621	57,496	58,564	59,474	59,474	55,023	61,583	59,520
Municipal Court	430,237	402,657	435,812	404,654	427,144	427,144	295,728	359,975	361,119
Civil Service Board	51,801	51,826	50,862	53,066	57,654	58,654	46,020	53,837	58,899
Cemetery	-	-	-	1,898	26,000	26,000	1,365	2,500	14,000
Carpentry Shop	76,414	82,267	80,161	66,067	80,845	80,845	52,782	59,630	112,781
Garage	97,984	106,324	103,886	97,785	103,651	105,413	89,463	104,758	108,564
Fuel Center	1,934	5,678	2,424	6,286	2,750	2,750	2,576	3,025	2,750
Police	1,748,805	1,811,114	1,836,347	2,004,740	2,110,205	2,115,805	1,917,936	2,173,682	2,087,685
Fire	1,664,099	1,837,950	1,928,531	2,152,627	1,857,219	1,857,885	1,621,816	1,882,164	1,864,601
EMS	150,369	123,640	185,603	229,575	170,163	170,163	156,059	247,557	230,875
Jail	58,749	90,232	59,846	66,324	65,931	65,931	61,268	72,564	66,532
Crimestoppers	500	500	500	500	500	500	500	500	500
Street	1,208,442	1,427,676	1,414,153	1,274,925	1,384,737	1,426,261	1,291,536	1,482,370	1,497,137

Finance Department

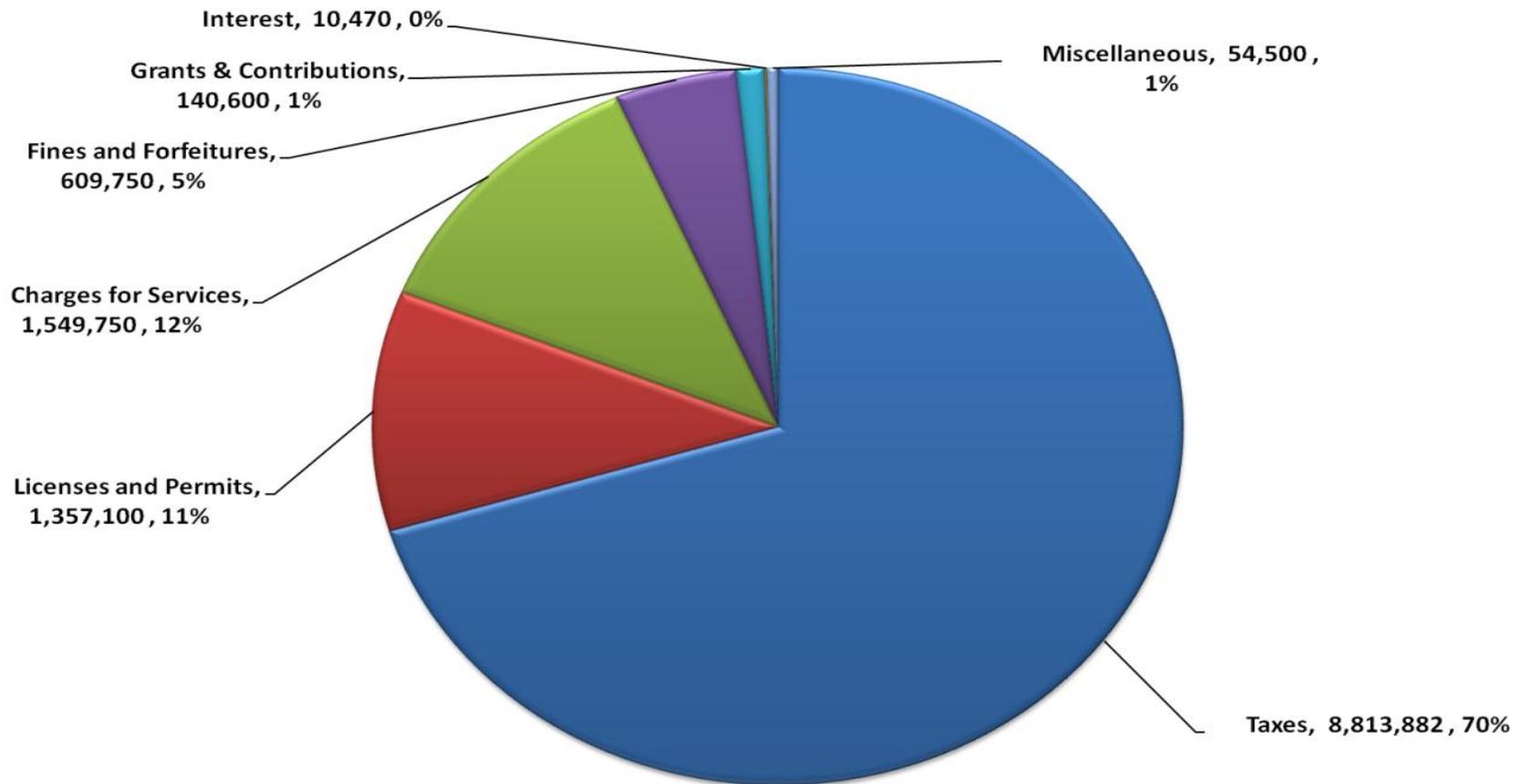
Expenditures	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Actual	FY 14 Original	FY 14 Revised	FY 14 YTD Actual	FY 14 Projected	FY 15 Approved
FINANCE-Salaries & Wages	172,397	165,686	159,879	171,651	196,825	196,825	167,006	193,000	212,787
FINANCE-Overtime	1,001	1,356	817	943	750	750	611	500	750
FINANCE-Social Security	13,125	12,912	12,427	13,006	15,134	15,134	12,364	14,765	16,275
FINANCE-Retirement	10,819	12,567	12,703	14,055	18,143	18,143	15,430	17,802	19,567
FINANCE-Health Insurance	21,165	22,064	23,640	23,658	25,990	25,990	20,608	22,600	21,564
FINANCE-Life Insurance	428	342	330	258	330	330	322	330	330
FINANCE-Vision Insurance	300	280	300	297	300	300	265	300	300
FINANCE-Employee Benefits	(310)	-	-	-	-	-	70	70	-
FINANCE-SAFETY INCENTIVE PROG	(235)	25	-	-	-	-	-	-	-
FINANCE-Other Contract Svcs	-	25	25	50	-	-	25	25	50
FINANCE-Office Supplies	2,999	2,996	3,131	3,181	3,000	3,000	2,772	3,000	3,000
FINANCE-Fuels & Lubricants	-	-	-	-	200	200	-	-	-
FINANCE-Misc.Supplies	104	116	121	71	200	200	91	100	200
FINANCE-Postage & Freight	5,213	4,392	4,482	4,809	5,200	5,200	3,711	5,000	5,000
FINANCE-Advertising	288	-	-	-	-	-	-	-	-
FINANCE-Mileage	697	1,371	1,777	1,317	1,750	1,750	1,637	1,750	2,000
FINANCE-Airfare	-	381	-	-	-	-	-	-	-
FINANCE-Registration & Tuition	3,370	2,805	4,555	2,385	3,500	3,500	2,577	3,500	3,500
FINANCE-Meals & Lodging	2,212	4,109	3,856	3,726	5,000	5,000	4,289	5,000	5,500
FINANCE-Other Travel Expenses	5	126	15	81	100	100	29	50	100
FINANCE-Surety Bonds	-	750	754	750	750	750	750	750	750
FINANCE-Subscriptions & Books	-	379	-	-	400	400	-	-	-
FINANCE-Dues & Licenses	30	30	80	265	300	300	300	300	500
FINANCE-Cash Short	-	-	-	1	-	-	-	-	-
FINANCE-Equip/Furn under \$100	108	-	-	60	100	100	-	50	100
FINANCE-Equip/Furn \$100-4999	-	889	-	-	200	200	-	100	200
FINANCE-Ofc Equip/Furn \$100-4999	891	8,917	5,344	2,932	500	500	500	500	500
FINANCE-OP TRANSFERS OUT	12,040	-	-	-	-	-	-	-	-
	246,649	242,519	234,234	243,496	278,672	278,672	233,357	269,492	292,973

Budget Presentation



Proposed FY 15 Revenue Budget

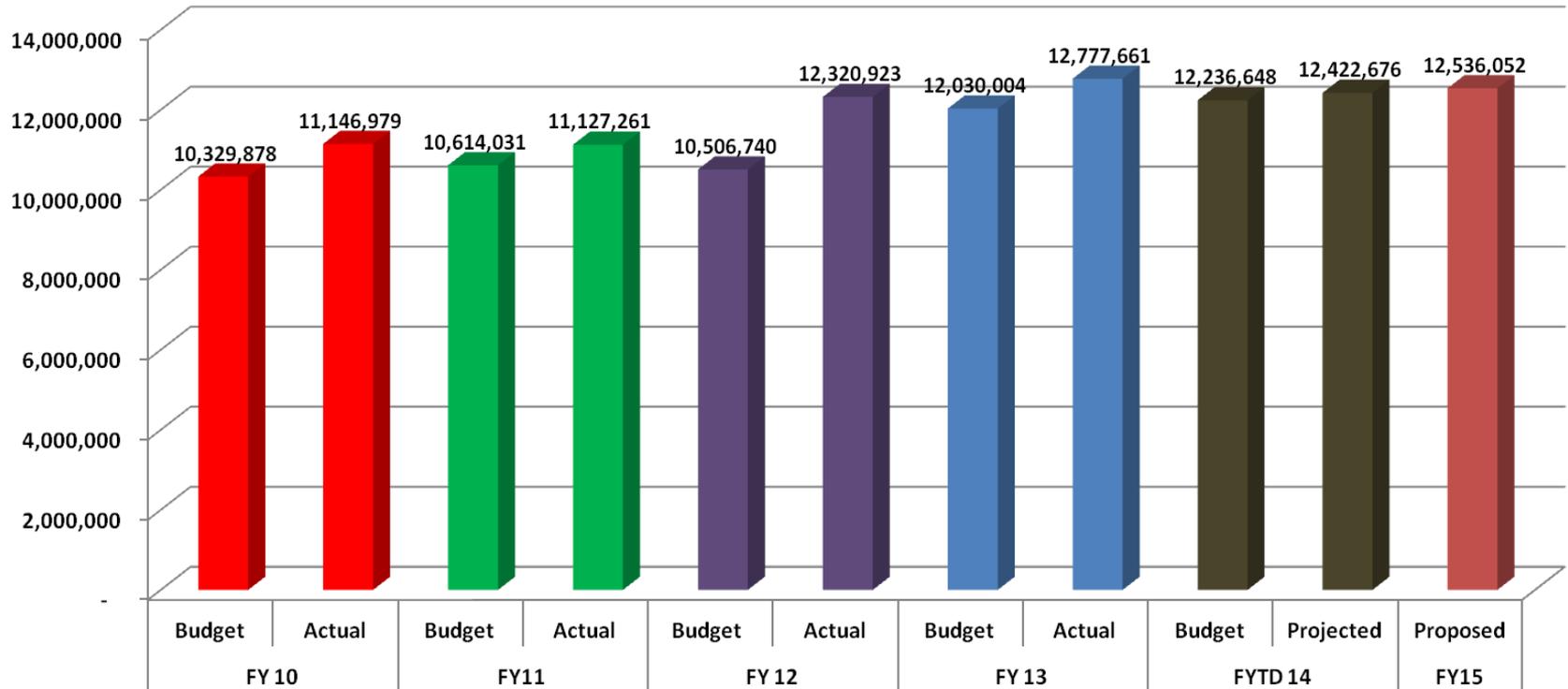
Total \$12,536,052



Budget Presentation



Budget to Actual Revenue History

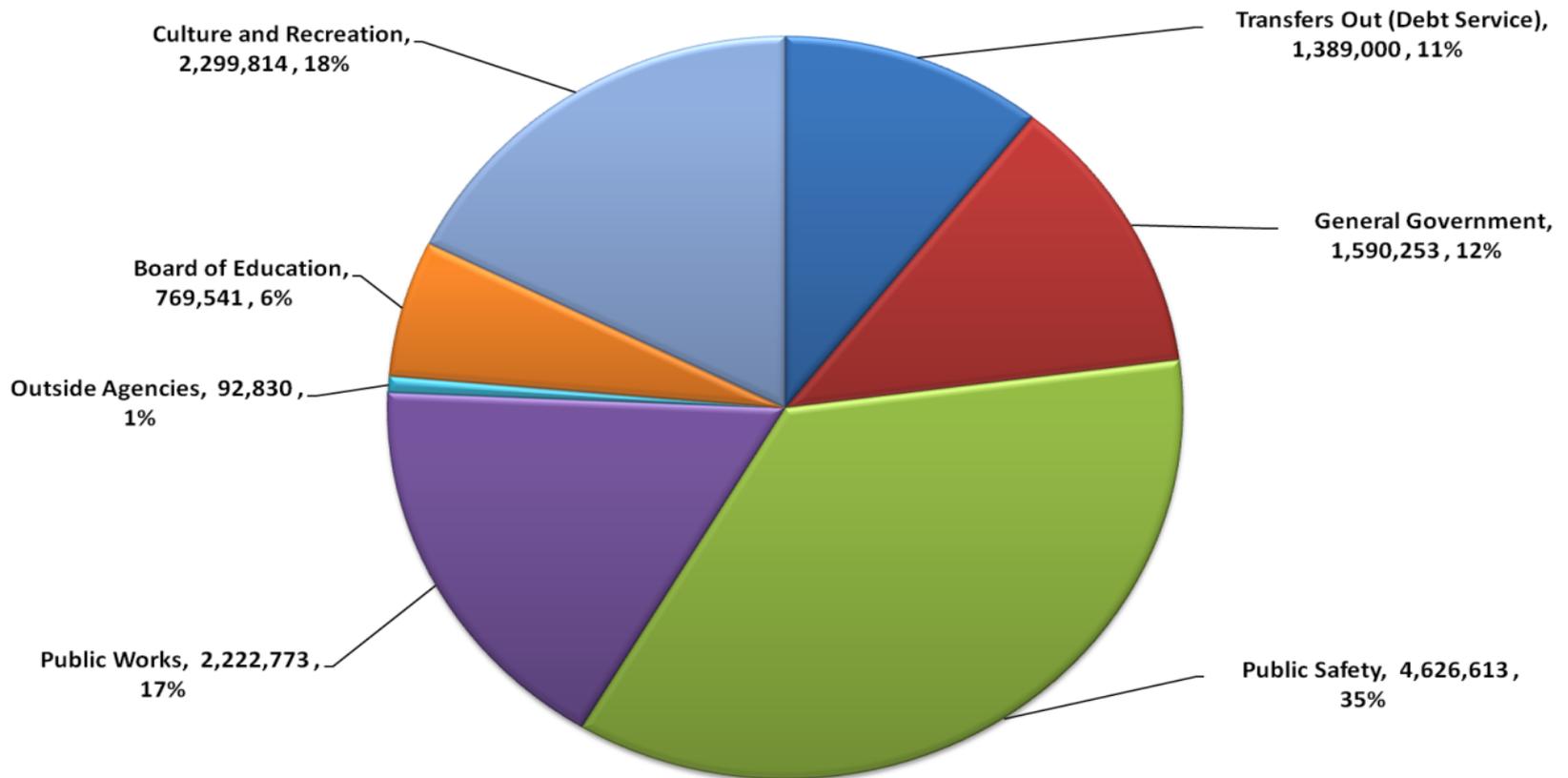


Budget Presentation



Proposed FY 15 Budget by Expenditure Category

Total \$12,990,824

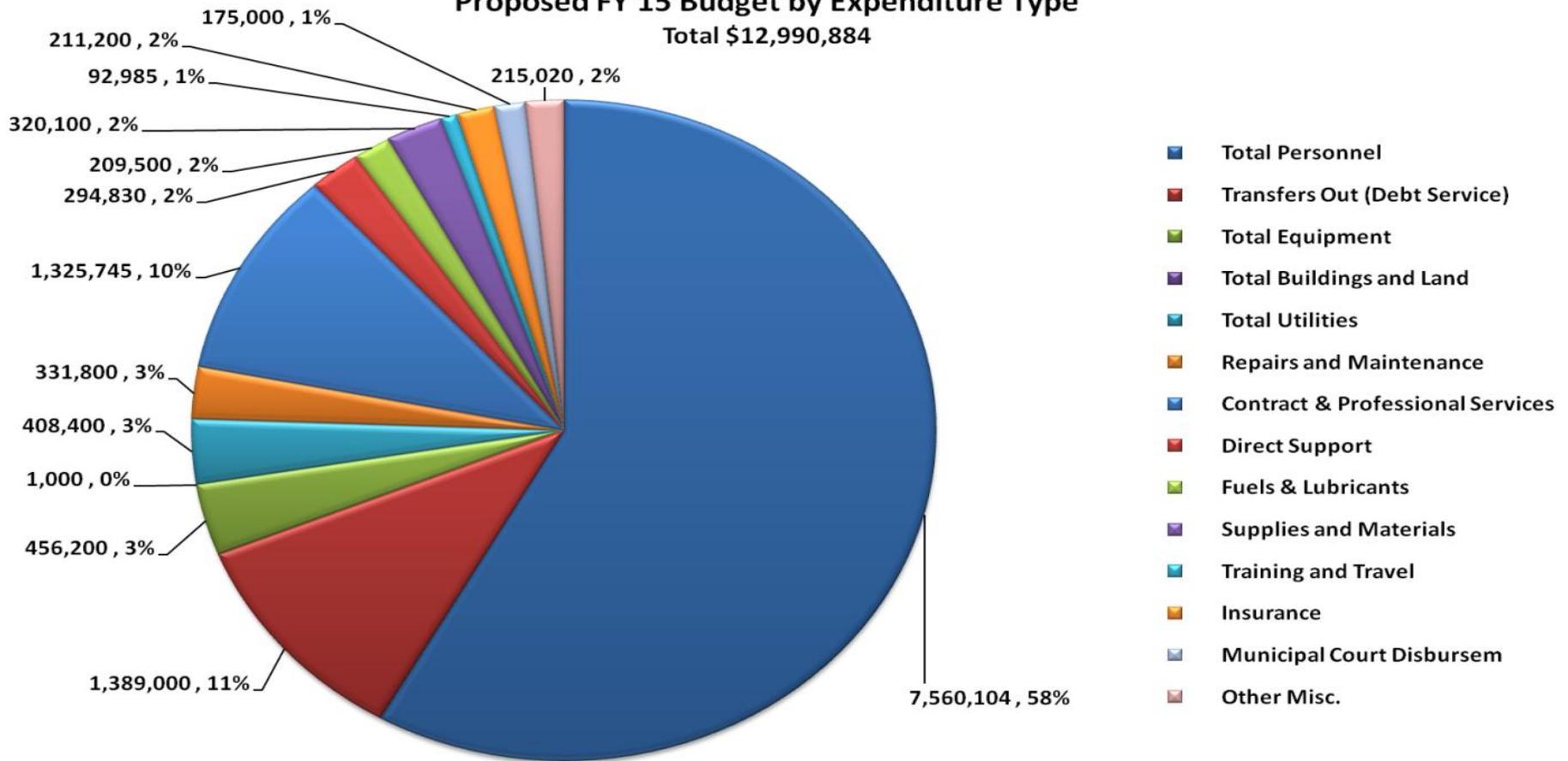


Budget Presentation



Proposed FY 15 Budget by Expenditure Type

Total \$12,990,884



Budget Cycle



- Preparation
- Approval
- Implementation
- Evaluation/Audit

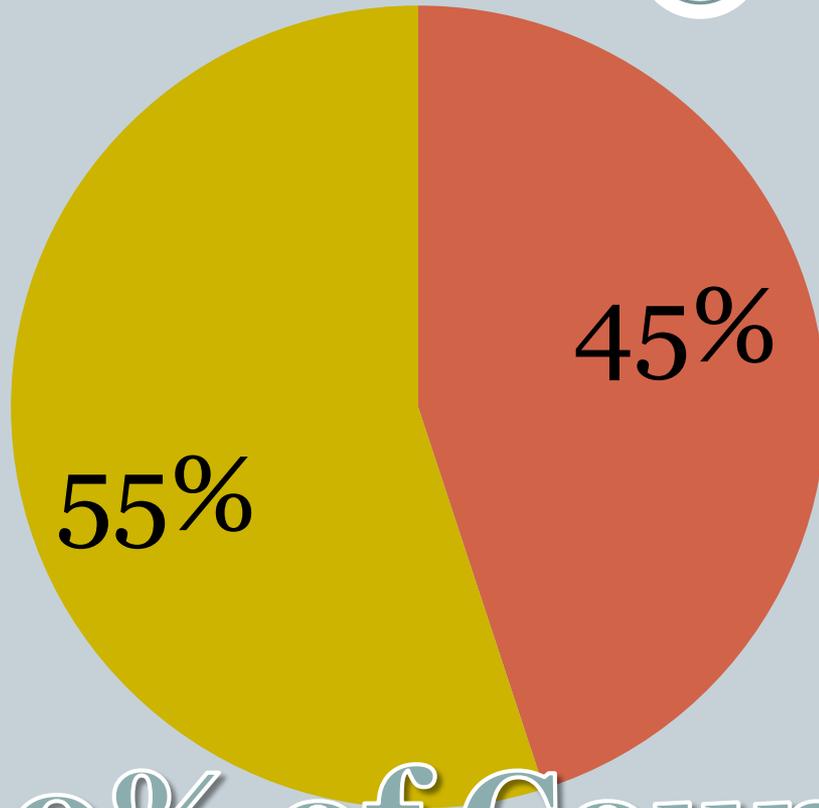
Special Revenue Funds



Legally
restricted to
expenditure for
specific purposes



7- cent Gas Tax



■ State Highway Department

■ Local Governments

10% of County Share
to Cities Pro Rata

7-cent Gas Tax



- **Restricted uses**
 - Transportation planning
 - Construction, reconstruction, maintenance, widening, alteration and improvement of public roads, bridges, streets and other public ways.



7-cent Gas Tax



- **Permitted Use Examples:**

- Salaries of employees who perform work necessary for listed purposes
- Purchase of truck to service traffic control signals
- Street lighting
- Purchase machinery and equipment used in construction, reconstruction, and maintenance of public roads, bridges, and streets
- Construction of a building to house municipal vehicles which are used to construct and maintain



7-cent Gas Tax



- **Non-permitted uses:**
 - Routine street cleaning
 - Construction of off-street parking facilities
 - City water projects
 - Purchase police or fire equipment
 - Sidewalks
 - Repair and restoration of an airport runway



4-cent (6-cent) and 5-cent Gas Taxes



- Restricted uses 40-17-224:
 - Resurfacing, restoration, and rehabilitation of roads, bridges, and streets.
 - New road construction (1987 amendment)



4-cent (6-cent) and 5-cent Gas Taxes



- **Permitted use examples:**
 - Repair culverts
 - Labor and fuel used in restoring streets
 - Equipment rental to restore, resurface, or rehab
 - Restriping and re-signing
 - Pave a dirt road
 - Remove debris resulting from a storm



4-cent (6-cent) and 5-cent Gas Taxes



- **Non-permitted uses:**
 - Cut grass on rights of way
 - Purchase of a private road
 - Repair and restore an airport runway
 - Pay for water pipes
 - Restore driveway accesses



Alabama Trust Fund Revenues



- Amendment 666 of the Alabama Constitution
- \$60,000,000



Alabama Trust Fund Revenues



- **Capital improvements:**
 - Municipal buildings
 - Roads, streets, bridges
 - Other facilities
 - ✦ Promoting health, safety, and public welfare of citizens



Alabama Trust Fund Revenues



- **Permitted**

- Construction or renovation
- Purchasing land for municipal buildings
- Improvements to recreation facilities



- **Not permitted**

- Purchasing of equipment
- Purchasing of phone system or computers



Corrections Fund

- 11-47-7.1 provides for additional court costs and fees on certain municipal cases



Auditing



- CPA
- GAAP
- GASB
- GASB Statements
- GFOA

Statement 77 – Tax Abatement Disclosures

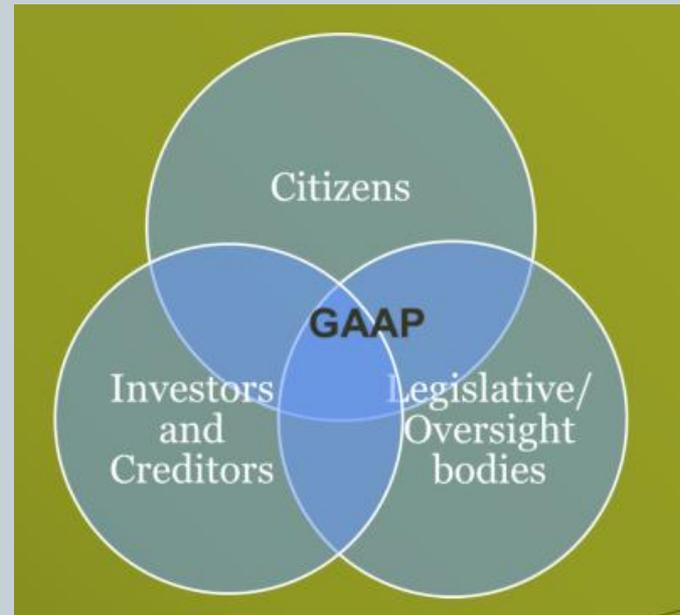


Brief Descriptive Information	Government's Own Abatements	Other Government's Abatements
Name of program	✓	
Purpose of program	✓	
Name of government		✓
Tax being abated	✓	✓
Authority to abate taxes	✓	
Eligibility criteria	✓	
Abatement mechanism	✓	
Recapture provisions	✓	
Types of recipient commitments	✓	

Auditing



- GAAP
- OMB Circular A-133
- MSRB
 - EMMA



Resources



- **ALM**
 - Selected Readings
 - Mayor Council Handbook
- **NLC**
- **GFOA**
- **GFOAA**
- **ACCMA**
- **ICMA**
- **AMROA**
- **AMCA**
- **AAPPA**
- **AAMCA**



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