



Municipal Budgeting

**Certified Government Finance Officer (CGFO)
Combined Study Guide**



PowerPoint Review Presentations



Florida Government Finance Officers Association

Municipal Budgeting

Certified Government Finance Officer (CGFO)

Review Session



The FGFOA is dedicated to being your professional resource by providing opportunities through Education, Networking, Leadership and Information.



Exam Topics

Fiscal Policies and Best Practices – 20%

Performance Measurement – 15%

Budget Presentation Award – 10%

Budget Process / Budget Types – 20%

Revenue Management and Forecasting – 20%

CIP and Financial Planning – 15%





Fiscal Policies and Best Practices



Learning Objectives

Recall the National Advisory Council on State and Local Budgeting (NACSLB) principles and elements for budgeting best practices

Identify recommended fiscal policies

Define key components of each of the fiscal policies

Differentiate the various cost of providing government services





Budgeting Best Practices

❑ **National Advisory Council on State and Local Budgeting (NACSLB)** has established four principles and twelve elements for budgeting best practices

- Four Principles of the budget process are comprised of Twelve Elements
- Twelve Elements assist in translating the guiding principles into action component





NACSLB – Four Principles

Establish broad goals to guide government decision making



Develop approaches to achieve goals



Develop a budget consistent with approaches to achieve goals



Evaluate performance and make adjustments





Elements of Principle One

■ Establish Broad Goals

1. Assess community needs, priorities, challenges, and opportunities

2. Identify opportunities and challenges for government services, capital assets, and management

3. Develop and disseminate broad goals





Elements of Principle Two

■ Develop Approaches to Achieve Goals

4. Adopt financial policies

5. Develop programmatic, operating, and capital policies and plans

6. Develop programs and services that are consistent with policies and plans

7. Develop management strategies





Elements of Principle Three

- **Develop a Budget Consistent with Approaches to Achieve Goals**

8. Develop a process for preparing and adopting a budget

9. Develop and evaluate financial options

10. Make choices necessary to adopt a budget





Elements of Principle Four

- **Evaluate Performance and Make Adjustments**

11. Monitor, measure,
and evaluate
performance

12. Make
adjustments as
needed

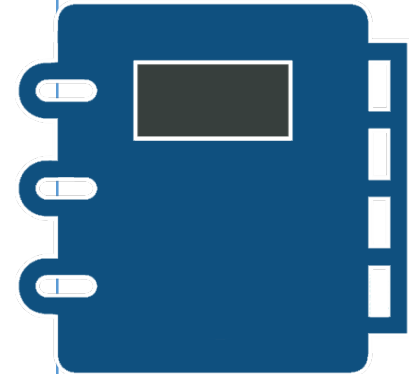




Establishing Strategic Plans

Element 1

- A recommended practice by GFOA
- Drawn from the NACSLB (National Advisory Council on State and Local Budgeting)
- Link to the budget
- Be outcome driven
- Be supported by Elected officials





Recommended Practices - Fiscal Policies

Element 4



- Policies are adopted by the governing body
- All fiscal policies should have an element for measuring performance and reporting



Operating Budget Policies

- ☐ Define a balanced operating budget
- ☐ Develop with the goal to maintain a **structurally balanced budget**
(operating revenue = operating costs)
- ☐ Identifies who is responsible for budget preparation - **management**





Revenue Policies



- ☐ How much change in the property tax rate is acceptable in a given year
- ☐ How one-time revenue will be used
- ☐ How frequently should service charges and fees be reviewed
- ☐ Revenue diversification
- ☐ Items that will not be budgeted (i.e. savings)



Fund Balance Policies

Establish policy on the General Fund's spendable and unassigned fund balance based on the government's own circumstances:



Predictability of revenues

Volatility of expenditures

Risk of significant one-time outlays (disasters)

Commitments and assignments

Conformity with legal/regulatory constraints



Stabilization Policies

- **Stabilization funds** may be called rainy day funds, committed balances, or contingency funds
- Policy will guide creation, maintenance, and use of resources held for financial stabilization purposes
- Policy will identify purpose for which funds can be used





Contingency Planning Policies



- ☐ General guide to improve the ability to take timely action and to aid management when an emergency occurs
- ☐ Should include a basic financial plan in the event of emergencies, natural disasters, or other unforeseen events



Debt Policies

- ☐ Guides the issuance and management of debt
- ☐ Address the issue of debt capacity
 - ☐ GFOA Budget Awards Requirement
 - ☐ What is the maximum long-term debt burden that the government can incur?
 - ☐ Mix of long-term debt and current revenues for capital projects
- ☐ Use of bond proceeds
- ☐ When will short-term debt be used





Develop Management Strategies

■ Element 7

Develop mechanism for budgetary compliance

- **Relies on the management structure** (process and systems) to ensure compliance with the adopted budget
- Institutes procedures to review budget periodically (budget to actual comparisons) either monthly or quarterly





Cost of Government Services

Full Cost

- Encompasses all direct and indirect costs related to that service

Direct Cost

- Salaries, wages and benefits of employees working exclusively on government services or programs provided. The direct cost also includes other operating costs such as materials and supplies

Indirect Cost

- Shared administrative expenses that may be performed centrally (e.g., purchasing and information technology)





Cost of Government Services

Life-cycle costs

- Includes costs in addition to purchase price over the life of an asset such as engineering and design, construction, installation, operations and maintenance, repairs, and rehabilitation (useful when deciding to purchase major equipment)



Opportunity costs

- Benefit of an option(s) that is forgone by choosing another option(s)





Cost of Government Services

Sunk costs

- A cost that has been incurred and cannot be reversed (should be ignored when evaluating other options)

Marginal Cost

- Expense that would be incurred from one additional unit of production

	2009	2010
Cost	\$100,000	\$106,000
Units served (estimated)	85,000	92,000
Marginal cost		\$0.857





Performance Measurement



Learning Objectives

Define the key steps in performance measurement

Recall performance measures and characteristics of each

Identify the benefits of performance benchmarks

Recall characteristics of customer driven organizations





Performance Measurement

Process for determining how a program is accomplishing its mission

Four key steps:

Identification and definition of indicators

Collection of appropriate data

Analysis of data

Reporting results

Focus on achieving goals and objectives unlike a line item budget which is focused on controlling inputs





Performance Measures

Input

- Resources used in producing output or outcome

Output

- Completed activity, amount of work done

Workload

- Level of productivity in providing goods and services

Effectiveness

- Goals and objectives are met within deadlines

Efficiency

- How much did it cost to produce the outcome





Performance Measures



- ☐ Linked to specific program goals and objectives
- ☐ Measures should be valid, reliable, and verifiable
- ☐ Links the budget to outcomes by establishing performance measures agreed upon by managers and decision makers



Performance Measures

Answer key questions:

How much did we do (quantity)?

How well did we do it (quality)?

How hard did we try (effort)?

Is anyone better off (effect)?

Why measure?

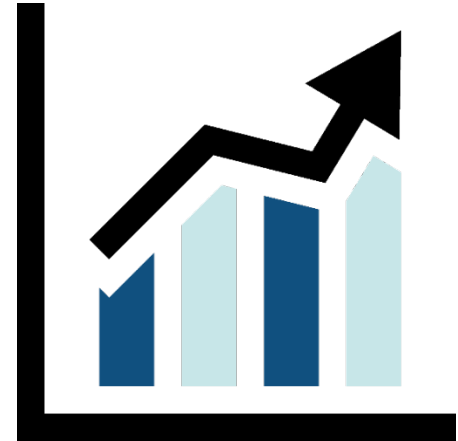
- Improve performance
- Enables good decision making (quantified)
- Report to the public





Program Components

- Clearly defined service area
- Activity and tasks
- Planned outcomes or achieved results
- Link expenditures and revenue to goals, objectives, and outcomes
- Expenditures and revenues are related to specific functions





Performance Benchmarks



- Useful in assessing how well a function, program, or activity meets their purpose
- Identifying best practices
- Consistently defined and measurable
- Comparative standards that provide a framework for evaluation program/service quality or effectiveness



Performance Benchmarks

- ☐ Indicators or benchmarks are measures that help quantify the achievement of a result
- ☐ Assess progress toward accomplishing desired outcomes



Examples:

- Crime rate
- Percent of buildings without graffiti
- Number of audit findings



Customer Driven Organizations



- Focus is on providing service and meeting customer needs
- Customer represents a percentage of target population
- Customers include both internal and external
- Goals and objectives of the organization incorporate customer preferences in addition to internal organization goals



Budget Presentation Award



Learning Objectives

Identify the categories of the Distinguished Budget Presentation Award Program

Define the requirements for the Distinguished Budget Presentation Award Program

Recall the criteria associated with each category

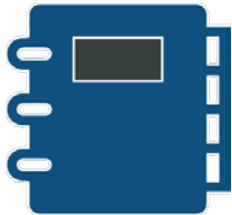
Differentiate between mandatory and non-mandatory requirements





Award Program Outline

Four categories:



Policy document

Financial plan

Operations guide

Communications device

27 Criteria

- 14 of them are mandatory requirements

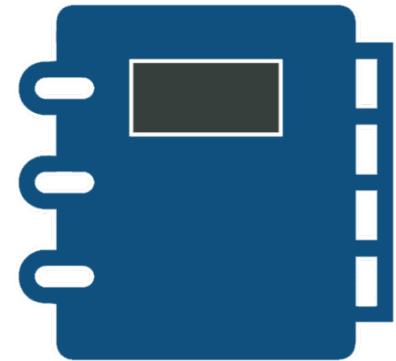




Award Program Outline

Six Sections of the Detailed Criteria
Location Guide - provide page numbers, not
“yes”

- Introduction and Overview
- Financial Structure, Policy and Process
- Financial Summaries
- Capital and Debt
- Departmental Information
- Document-wide Criteria





The Detailed Criteria Location Guide



GFOA Detailed Criteria Location Guide
Distinguished Budget Presentation Awards Program

Name of Entity: _____
State/Province: _____
First Submission? Yes ☐ No ☐

Cite specific page references on the lines in response to each question.

Introduction and Overview

#C1. *Mandatory:* The document shall include a table of contents that makes it easier to locate information in the document.

* Table of
Contents

1. Is a comprehensive table of contents provided? _____
2. Are all pages in the document numbered or otherwise identified? _____
3. Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? _____

#P1: The document should include a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

Strategic
Goals and
Strategies

1. Are non-financial policies/goals included? _____
2. Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? _____
3. Are other planning processes discussed? _____

#P2: The document should describe the entity's short-term factors that influence the decisions made in the development of the budget for the upcoming year.

Short-term
organization
factors

1. Are short-term factors addressed? _____
2. Does the document discuss how the short-term factors guided the development of the annual budget? _____
3. Is a summary of service level changes presented? _____

#P3. *Mandatory:* The document shall include a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).

* Priorities and
Issues

1. Does the message highlight the principal issues facing the governing body in developing the budget (*e.g., policy issues, economic factors, regulatory, and legislative challenges*)? _____
2. Does the message describe the action to be taken to address these issues? _____
3. Does the message explain how the priorities for the budget year differ from the priorities of the current year? _____





Requirements for Award

Reviewed by 3 judges

Must be rated proficient or outstanding by 2 judges for each mandatory criteria **(14)**

Must be rated proficient or outstanding by 2 judges for each of the four basic categories:

- Policy document
- Financial plan
- Operations guide
- Communications device





Budget as a Policy Document

- ☐ Statement of entity-wide long-term financial policies (**mandatory**)
- ☐ Describe process for preparing, reviewing, adopting, and amending the budget (**mandatory**)
- ☐ Budget message that articulates priorities and issues for upcoming budget year (**mandatory**)





Budget as a **Policy Document**



- Statement of organization-wide strategic goals and strategies (like a vision statement)
- Describe entity's short-term factors that influence the decision made in the budget development



Budget as a Financial Plan

Define (explain) the basis of budgeting for all funds:

- Include whether or not the basis of budget is the same as the basis of accounting, if not describe difference
- Debt service is an example where they may differ

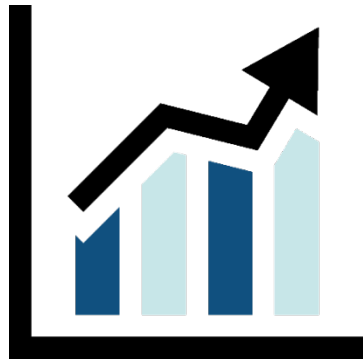
Budget document should include and describe all funds that are subject to appropriation that may be different than the audited financial statement





Budget as a Financial Plan

Projected changes in fund balances (mandatory):



Define fund balance in the document

Must include all funds appropriated

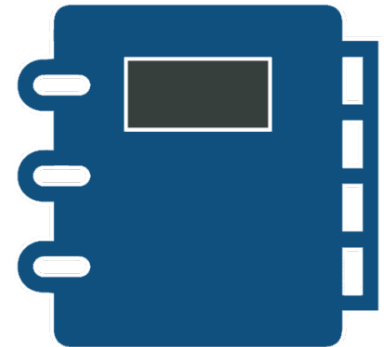
Explain changes in fund balance greater than 10% and related issues

At a minimum, include information on each major fund and on non-major funds in the aggregate



Budget as a Financial Plan

- ❑ Summary of major revenues and expenditures, and financing sources and uses, to provide an overview for all total resources (mandatory)
- ❑ Summaries of revenues, expenditures, and other financing sources and uses for three years (mandatory)





Budget as a Financial Plan

- Describe major revenue sources, explain the underlying assumptions for the revenue estimates and discuss significant revenue trends for at least **75%** (in dollars) of the major revenue (mandatory)
- Explain the long-range financial plans and its affect upon the budget and the budget process





Budget as a Financial Plan

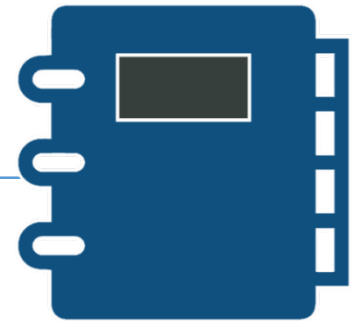
- ☐ Include total amount of budgeted capital expenditures (Mandatory) **AND** Define!
- ☐ Describe impact of significant non-recurring capital investments





Budget as a Financial Plan

Financial data on current debt obligations and description of the relationship between current debt levels and the legal debt limits
(mandatory)



- Must indicate legal debt limit for the jurisdiction
- If there is no legal debt limitation, that should be clearly stated



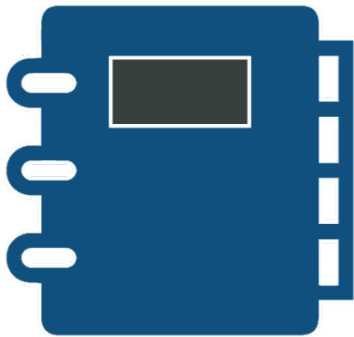
Budget as an Operations Guide

- Include entity-wide organizational chart (mandatory)
- Explain relationship between functional units and funds
- Schedule or table summary of personnel or position counts for prior, current, and budgeted year (**mandatory**)





Budget as an **Operations Guide**

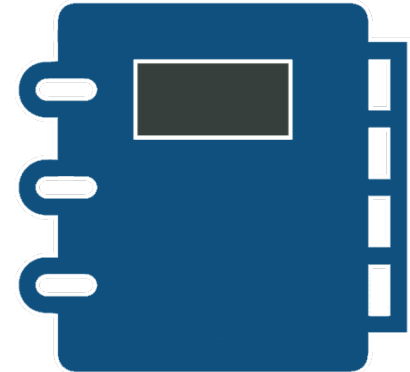


- ☐ Describe activities, services, or functions carried out by organizational units (mandatory)
- ☐ Include goals and objectives of organizational units
- ☐ Provides objective measures of progress toward accomplishing the government's mission



Budget as a Communications Device

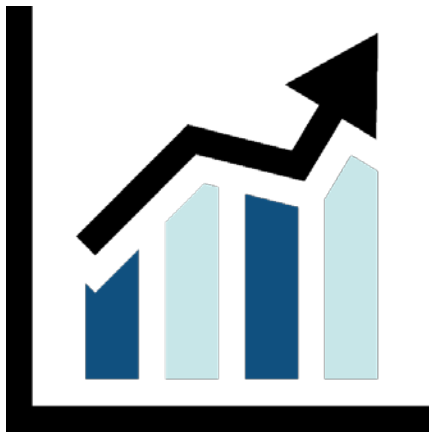
- Include a comprehensive table of contents (mandatory)
- Provide an overview of significant budgetary issues (mandatory)
- Include statistical and supplemental data to describe the organization, community, and population
- Include a glossary





Budget as a Communications Device

- ☐ Use charts and graphs to highlight financial and statistical information
- ☐ Produced and formatted to enhance understandability and usability by the average reader





Budget Process / Budget Types



Learning Objectives

Recall the definition of a budget

Summarize an overview of the budget process

Identify the types of budgets used in governments

Define key components of each of the budget types

Recognize Florida laws that govern the budget process





What is a Budget?

- A financial plan for a defined period of time, usually one year
- A plan to properly allocate financial resources
- A plan for managing spending
- Allocation of scarce resources among competing priorities





Budget Overview

Governments allocate funds to programs and services through the budget process

The Budget provides the legal authority to expend funds

Allocations of scarce resources among competing priorities

- Indicate goals and priorities for the upcoming year
- Reflects the choices made by the governing body





Budget Overview

- ☐ Must be responsive to constituents' needs and desires
- ☐ Governments should engage in long-term financial planning, including multi-year revenue and expenditure projections
- ☐ **The budget process regulates the flow of decisions** – who will have a say and at what point in the process





Budget Overview

- Process should effectively involve major stakeholders and reflect their needs and priorities
- Appropriations are normally not held over for future use if they were not expended in the year they were appropriated
- Appropriations in the annual budget are typically authorized for a single year





Budget Overview

The budget process should:

Incorporate a long-term perspective

Establish linkage to broad organization goals



Focus decisions on results and outcomes

Achieve stakeholders' acceptance of decisions related to goals, services, and resource allocation



Budget Overview

The budget is a plan – how do you know when you are done without a plan?

Benefits of the budget:

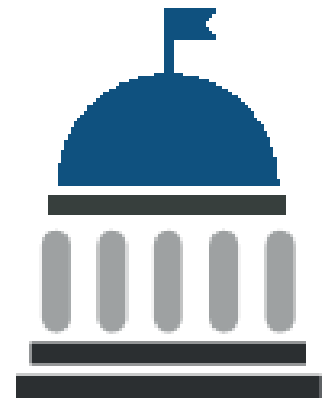
- Stable service delivery
- Impact of current decisions
- Thoughtful responses
- Identifies future trends early
- Builds credibility
- Transparency





Types of Budget

- Types of Budget vary among governments
- Designed to assist decision makers in prioritizing the budget requests as well as rationale for budget decisions
- Budget type depends on management and legislative body





Types of Budget

**The types of
Budget include**



Executive Budgeting

Incremental Budgeting

Performance Budgeting

Program Budgeting

Zero-Based Budgeting

Budget Allotment

Priority-Based Budgeting



Executive Budgeting

- Control of budget preparation lies with the chief executive officer or city manager
- Earliest version used a simple line item format
- Cities and states were the first to adopt to this format





Incremental Budgeting

- ☐ Current year's budget forms the basis for the upcoming year's budget
- ☐ Works best during periods of stable revenues and expenditures
- ☐ Works reasonably well in mature communities that have stable service demands
- ☐ Inadequate method for addressing revenue shortfalls, sharply increasing service demands or during other volatile periods





Performance Budgeting

First major reform after executive budget format



Major feature is the inclusion of various workload measures that emphasize purposes and accomplishment

Expenditures are based on measurable performance activities and programs

Sets primary focus on evaluation of the efficiency of existing activities



Program Budgeting

A budget wherein expenditures are based on program of work and on character and object class

Organized by specific functions

Functional areas show related revenues and expenditures

Links revenues and expenditures to goals, objectives, and outcomes





Zero Base Budgeting

Continued existence of programs and activities must be justified annually



Purpose is to force conscious decisions between disparate goals

Designed to address the appropriateness of each goal, rather than the most cost effective program to achieve the goal





Budget Allotments

A portion of the budget is allocated to an interim period based on historical spending patterns and needs

Advantages include:

- Avoidance of rushed year-end spending
- Aids planning cash flow needs
- Helps managers plan inventory needs





Priority Based Budgeting

Resources allocated according to how effectively a program or service achieves goals and objectives that are of great value to the community:

- Also known as Budgeting for Results/Outcomes
- Strategic alternative to incremental budgeting
- Philosophy of how to budget scarce resources and a flexible structured process for achievement





Priority Based Budgeting

Priority based budgeting process:

Government identifies its most important strategic priorities

Programs and services are ranked according to alignment with the priorities using a collaborative evidence-based process

Funding is allocated according to the ranking

- Useful tools to align expenditures more closely with community values





Review

Which type of budget starts with the current year's budget as the basis for the upcoming year's budget?

- A. Incremental Budgeting
- B. Priority Based Budgeting
- C. Performance Budgeting
- D. Program Budgeting





Review

Which type of budget starts with the current year's budget as the basis for the upcoming year's budget?

- A. Incremental Budgeting**
- B. Priority Based Budgeting
- C. Performance Budgeting
- D. Program Budgeting





Review

Which of the following is NOT a type of budget?

- A. Budget Allotment
- B. Cost-Benefit Budgeting
- C. Performance Budgeting
- D. Program Budgeting





Review

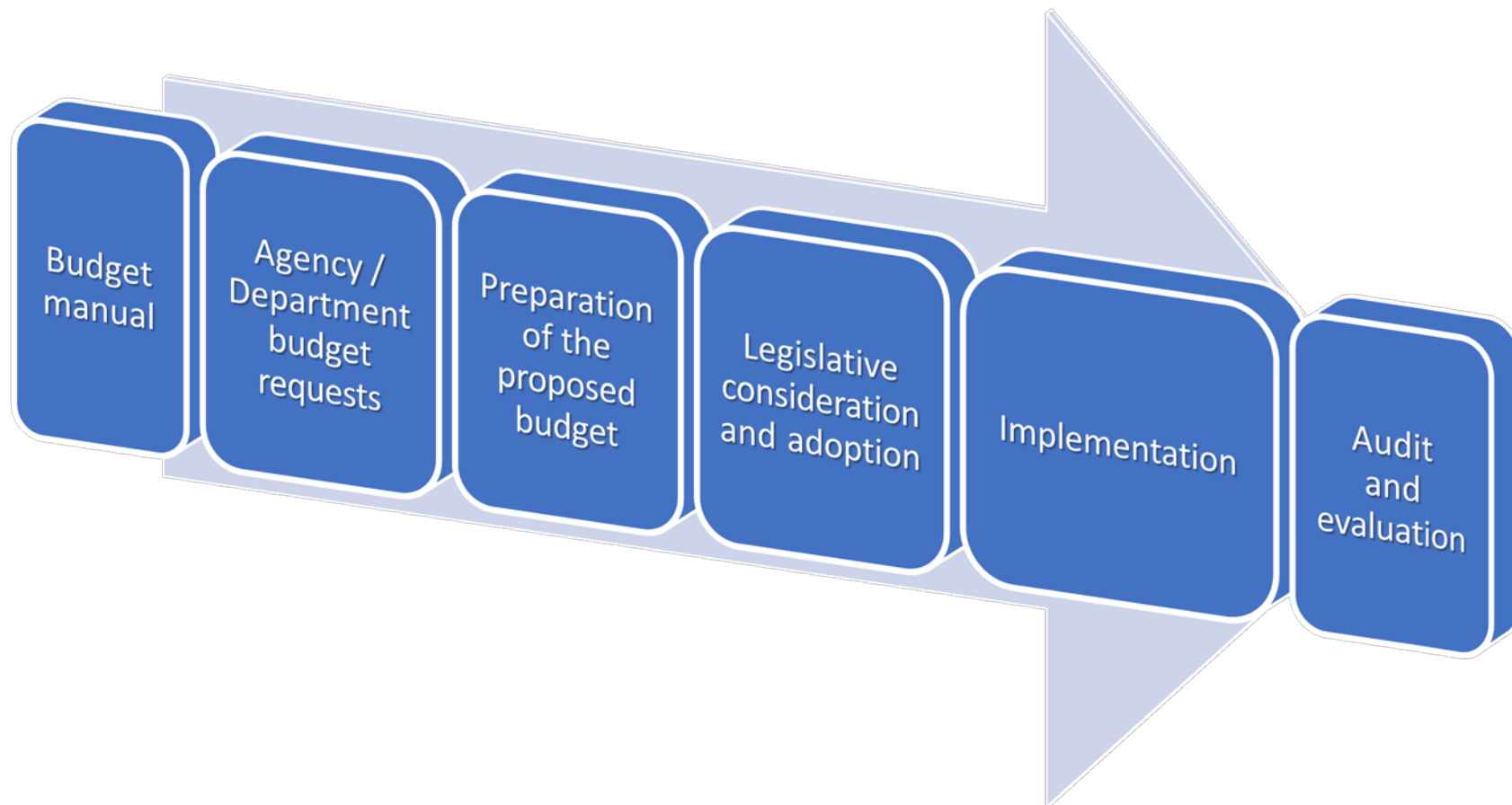
Which of the following is NOT a type of budget?

- A. Budget Allotment
- B. Cost-Benefit Budgeting**
- C. Performance Budgeting
- D. Program Budgeting





Budget Process





Budget Process – Manual

**Chief executive officer is responsible –
budget guidance outlining fiscal
positions**

**Contains instructions for preparing and
submitting the operating and capital
budgets**

- Description of budget process
- Budget calendar
- Assumptions to be used for requests
- Forms to be used with instructions





Budget Process -Departmental Requests

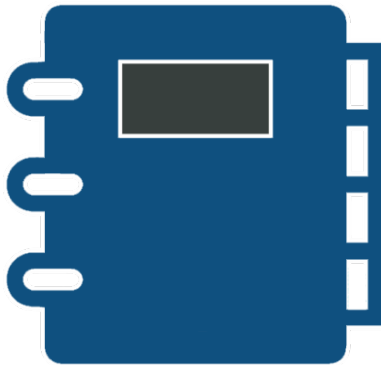
- ☐ Transmittal memo that outlines its major objectives and initiatives for the budget year
- ☐ Budget schedules that detail the amount requested
- ☐ Narrative justification of requested amount
- ☐ Workforce ratios for some expenditure items





Budget Process – Departmental Requests

Narrative justifications include:



Description of current services

Identify additional needs with supporting detail

Discuss implications of not funding the requested amounts

Supporting documentation



Budget Process – Preparation

Budget staff reviews requests to ensure:

- Compliance with budget instructions
- Revenues and expenditures balance
- Realistic revenue projections



Works with chief executive and management team to determine which requests and funding levels will be included in the budget

Compiles the approved requests into a proposed budget document that is submitted to the legislative body for review and decision





Legislative Consideration and Adoption

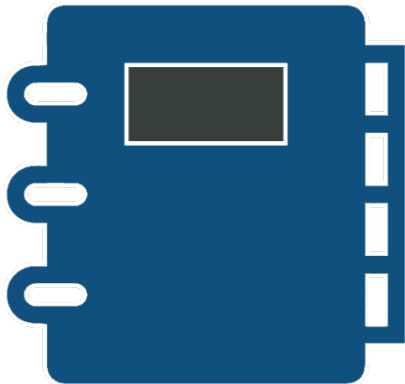
- ☐ Proposed budget is presented to legislative body for consideration
- ☐ Reviews budget to ensure constituent needs are addressed
- ☐ Holds public hearing in accordance with Florida Statutes and local ordinances





Legislative Consideration and Adoption

Budget document should:



Provide summary information to the public/media

Include a transmittal letter that outlines key policies and strategies

Be readable and understandable

Explain events/conditions that require changes in operations to ensure financial stability

Be posted on the taxing authorities official website at least two days before budget hearing





Legislative Consideration and Adoption

Chapter 200, Florida Statutes – Truth in Millage (TRIM)

- Open discussion of millage rates and budgets
- Purpose is to provide transparency in how local taxing authorities propose and approve millage rates
- Outlines requirements to be in TRIM compliance
- Determine if there is a tax increase proposed based on the rolled-back rate





Legislative Consideration and Adoption

Truth in Millage (TRIM) Process:

- Maximum millage rate for cities and counties is 10 mills
- Defines a “county of special financial concern” as a county where **one mill** raises less than **\$100 per capita**
- Outlines requirements to be in TRIM compliance
- Department of Revenue is responsible for enforcing compliance of the TRIM (property tax ad valorem) process





Legislative Consideration and Adoption

Rolled-Back Rate



- The millage rate necessary to raise, in the aggregate, the same amount of money this year from the taxpayers on last year's tax roll that was raised a year ago (excludes new construction)
- Levying a millage rate higher than the rolled-back rate requires the taxing authority to advertise a tax increase



Legislative Consideration and Adoption

Truth in Millage (TRIM) Process:



Tax revenue is based on Certification of Value provided by the Property Appraiser and is the valuation of the taxable value within the jurisdiction

Requires taxing authorities to utilize a minimum of 95% of the certified taxable value

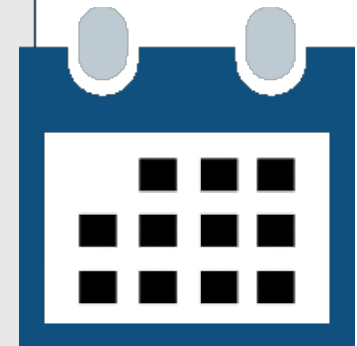
Requires two public hearings for open discussion of millage rates and budgets



Legislative Consideration and Adoption

Truth in Millage (TRIM) Process:

- **Trim Day 1** is July 1 or the date of certification, whichever is later
- **NLT Trim Day 35** – advise property appraiser of its proposed millage rate and first public hearing date
- **NLT Trim Day 55** – property appraiser distributes Notice of Proposed Taxes (TRIM Notice)

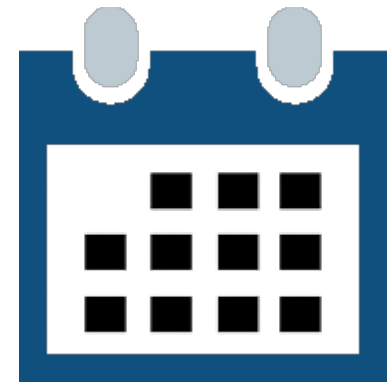




Legislative Consideration and Adoption

Truth in Millage (TRIM) Process:

- Between day 65 (September 3) and day 80 (September 18) taxing authority must hold its first public hearing
- Within 15 days of holding the first public hearing the taxing authority must publish an advertisement to adopt the final millage and budget





Review

A “county of special financial concern” is defined as

- A. One mill raises less than \$10,000
- B. One mill raises less than \$1,000 per capita
- C. One mill raises less than \$100 per capita
- D. One mill raises less than \$100,000





Review

A “county of special financial concern” is defined as

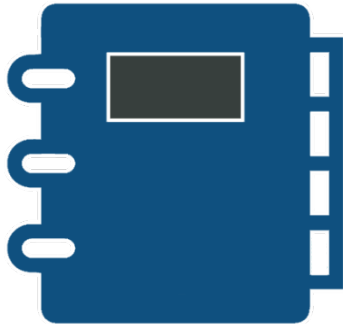
- A. One mill raises less than \$10,000
- B. One mill raises less than \$1,000 per capita
- C. One mill raises less than \$100 per capita**
- D. One mill raises less than \$100,000





Legislative Consideration and Adoption

Truth in Millage (TRIM) Process:



- Second Public hearing must be held between two and five days after the advertisement has been published
- Submit TRIM package to DOR for review and approval





Legislative Consideration and Adoption

Public Hearings:

- At both hearings, millage rate must be discussed first before the budget; increase over the rolled-back rate must be announced
- General public is allowed to speak before governing body can take any action
- Millage must be adopted before budget adoption





Legislative Consideration and Adoption

Maximum Levy Limits:

- **Majority vote** – Rolled-back rate (RBR) plus per capita personal income change
- **Two-thirds vote** – 110% of RBR adjusted for per capita personal income
- **Unanimous vote (3/4 if 9 or more)** – up to 10 mill cap
- **Referendum** – up to 10 mill cap
- Super-majority vote is of the membership of the governing body, not the members who are present





Legislative Consideration and Adoption

- ❑ **No adopted budget** – Florida Statutes allows taxing authorities to readopt its prior year's adopted final budget, as amended, and expend moneys based on this budget until such time as the tentative budget is adopted if the fiscal year begins prior to adoption of the tentative budget





Budget Process – Implementation



- Budget officer implements
- Budget is uploaded into the financial system as approved by the legislative body
- Manage position control process
- Work closely with the finance office



Budget Process – Audit and Evaluation

- ☐ Monitor the budget monthly and/or quarterly
- ☐ Report actual compared to budget
- ☐ Adjust the budget as necessary
- ☐ Monitor progress toward objectives





Multi-Year Budgeting

Budgets are adopted for two or more years:



Classic (traditional) – both the spending and revenue plan for each budgetary year are approved at the same time

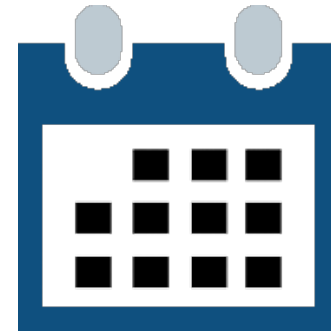
Rolling – each year's appropriations are adopted in each subsequent year



Multi-Year Budgeting

The following are advantages of multi-year budgeting:

- ☐ Improves:
 - Financial planning
 - Long-range strategic planning
 - Program monitoring and evaluation/benchmarking
- ☐ Reduces staff time in budget development
- ☐ Links operating and capital activities/spending
- ☐ Reduces surprises
- ☐ Pinpoints problem areas early





Multi-Year Budgeting



- ☐ Difficult to project into the future
- ☐ Could reduce responsiveness to emergencies if too restrictive
- ☐ Initial year may increase work and stress in departments



Multi-Year Budgeting

Amend existing financial and budget policies:

- Allow carryovers from one year to the next
- Budget adjustment levels
- Use of revenue reserves for unanticipated expenditures

Create Financial Policies

- Balance budget
- Revenue diversification
- Debt capacity
- Fund balance





Multi-Year Budgeting vs. Financial Plan

Budget:

Includes goals or objectives

Public documents

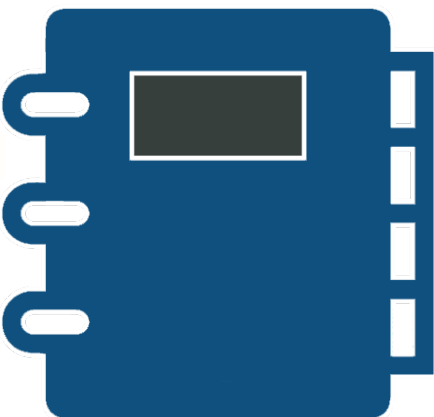
Approved by governing body

Financial Plan:

Includes goals or objectives

Public documents

Not formally adopted by the governing body





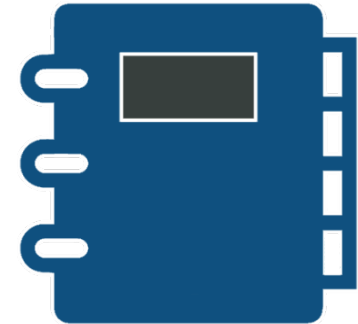
Revenue Management/Forecasting



Learning Objectives

Identify techniques used in revenue forecasting

Define the components of a revenue manual





Forecasting Revenues

- ❑ Estimating revenue is the first step in determining level of resources that will be available for budget appropriations

Influenced by the following factors:

- Administrative
- Political
- Economic
- Policy Context

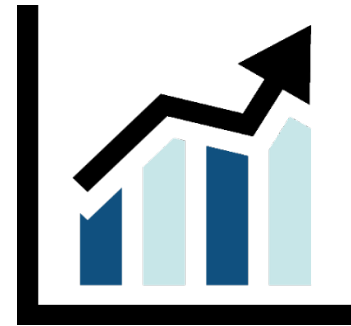


- **Stability of revenue stream improves the forecast –** utilities have an advantage over governmental revenues



Forecasting Revenues

- ☐ Involves use of analytical techniques to estimate
- ☐ Should be decentralized with each program following a common set of assumptions and methods
- ☐ Used to establish spending targets
- ☐ Assists in projecting future financial conditions
- ☐ Projects capital project pay-go and debt financing
- ☐ Should be extended at least **three** (3) years





Revenue Manual

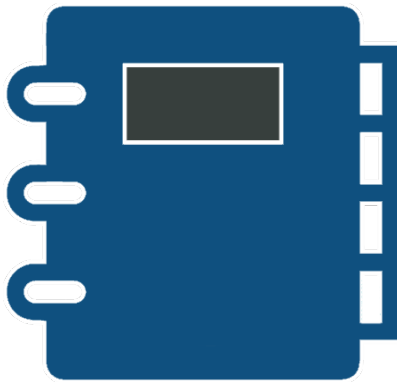


- Documents revenue sources and factors relevant to projecting current and projected collection levels
- Promotes better understanding of government's resources
- Supports decision-making
- Internal staff training tool



Revenue Manual

For each revenue source, describe:



Title and brief description of the revenue source

Authorization and limitations of the revenue source

Collection methodology

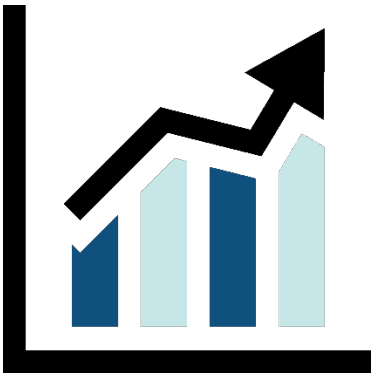
Collection history



Forecasting Methods

Two types of forecasting methods

- Qualitative
- Quantitative





Qualitative Methods

Qualitative revenue forecasting methods rely on judgements about future revenues

Consensus:

- Group collectively reaches agreement on revenue projections based on previous experience, collection patterns and knowledge
- May be used for new revenues or sources that have inadequate or unreliable data





Qualitative Methods

Judgmental

- Informed decision based on history and general economic conditions
- May be used for revenues with a high degree of uncertainty

Expert

- Uses economists, demographers, etc. to study trends
- May be used for revenues affected by national and/or regional trends





Qualitative Methods

Weaknesses:

Responds to political pressures



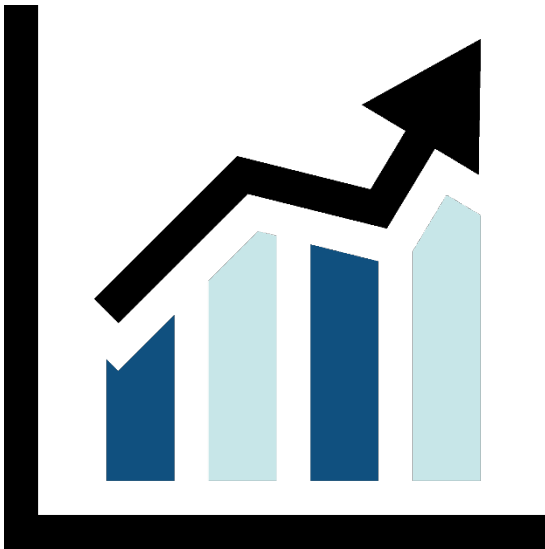
Focus on current issues/events

Lack of comparability over time



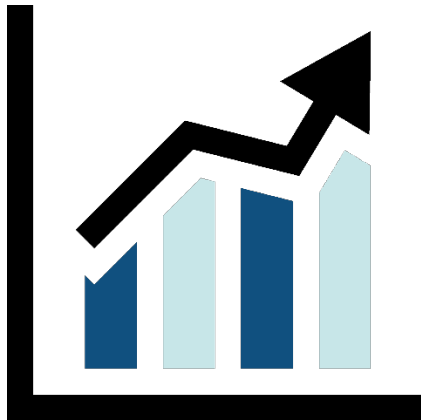
Quantitative Methods

- **Relies on numerical data** – this enables testing to see if underlying data assumptions are met.
- Requires extensive amounts of historical data to generate dependable projects
- Should collect at least **40** data points





Quantitative Methods

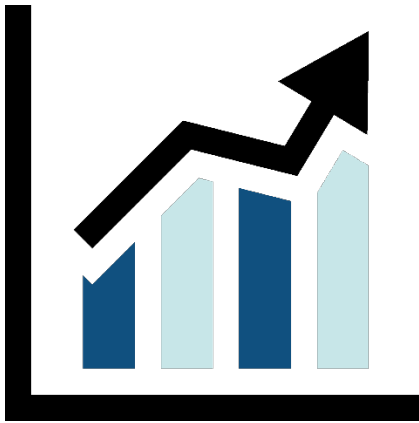


- ☐ **Trend analysis** – forecasting future revenues based on its short-term historic trend
 - ☐ Simple linear and multiple regression analysis
- ☐ **Time series analysis** – forecasting revenue based on financial data over extended periods (e.g., **40** or more periods) collected at equally spaced intervals



Quantitative Methods

- ☐ **Econometric** – involves projecting future revenues by taking into account the economic factors that influence revenue
 - ☐ Generates revenue forecast using an equation that includes a number of variables that influence the revenues being projected
 - ☐ Sales Tax
 - ☐ User Chargers (building permits)
 - ☐ Utility (Public Service) Tax





Quantitative Methods

Weaknesses:

Expensive and time consuming



Improper representation of the target population

Difficulty in data analysis



Other Considerations – Break-Even Analysis

- Simple technique for determining whether a project will break even (e.g., Revenues = Costs)

Four variables:

Revenue per unit

Fixed costs

Variable costs

Number of units or uses





Other Considerations - Net Present Value

Method of comparing the long-term financial costs of different alternatives

The value of the promise today = \$ Promised in future / Discount factor

Example: Benefit today of receiving \$200,000 in a year's time given a 5% discount rate is \$190,476 (\$200,000 divided by 1.05)





Revenue Restrictions

- **Forming a Community Redevelopment District (CRD)**
 - Must adopt a finding of necessity
- **Establishing a business tax** – requires an equity study

Revenue Sharing:

- ☐ Two components – guaranteed entitlement and growth
- ☐ Constrains use of debt service in excess of the guaranteed entitlement amount





Review

Which statement is false?

- A. Maximum millage for cities and counties is 10 mills
- B. Florida Auditor General enforces TRIM Compliance
- C. Anything over the rolled-back rate is a “Tax Increase”
- D. TRIM requires use of a minimum of 95% of taxable value.





Review

Which statement is false?

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CIP and Financial Planning



Learning Objectives

Recall the definition of capital asset

Define the advantages of a capital improvement program

Identify steps to identify and evaluate capital projects

Recall funding sources for capital projects





Capital Assets

- ☐ **Capital assets** are government facilities, infrastructure, equipment, or networks that enable the delivery of essential public sector services
- ☐ **GFOA** recommends governments establish a system for assessing their capital assets
- ☐ Plan and budget for any capital maintenance and replacement needs

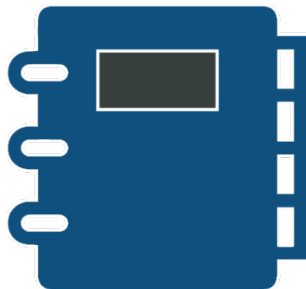




Capital Assets Inventory

- Complete inventory and periodic measurement of the physical condition should be conducted no less than annually

Inventory should include:



Location

Engineering Description

Book Value

Condition

Replacement Costs

Operating Costs



Capital Improvement Program (CIP)

- A plan of capital investment for a period of time, usually **5 to 7 years**
- Prioritizes projects and identifies funding sources
- Should include citizen recommendations
- Should be included and adopted at the same time as the budget
- Is a decision making tool





Capital Improvement Program (CIP)

- ❑ Provides transparency on projects the governmental agency is constructing or implementing

Advantages of adopting a formal plan:

- Financial management tool
- Contributes to long-range planning
- Reduces the influence of political considerations in determining which projects to fund



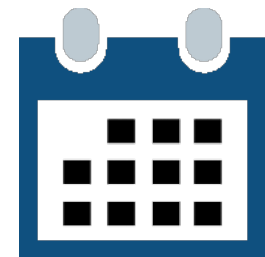


Capital Improvement Program (CIP)

- Is the outcome of the organization's long-term strategic planning process

Multi-year program:

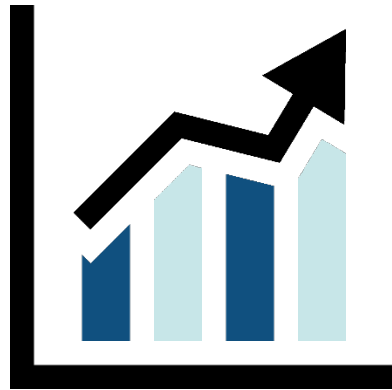
- Budget year (first year) is included in the adopted budget
- Future years are awaiting funding and move up until included in the adopted budget
- ☐ Projects are based on priorities and may not be funded due to other higher priority projects





Capital Improvement Program (CIP)

Steps to identify Capital Improvement Projects:



Review status of previously approved project

Identify new projects

Assess alternatives

Complete forms

Evaluate ability to fund



Capital Improvement Program (CIP)

Evaluate new Capital project:

- Project description
- Location
- Justification
- Cost by year
- Impact of future revenues
- Future operating costs
- Discount capital costs to present value (e.g., measure the benefit given up today when committing to future costs)





Capital Improvement Program (CIP)

Ranking Capital Project criteria:

- Should be developed to select and rank
- Agreed upon by decision makers

Consider:

- If taxes will have to be raised
- How many citizens will benefit
- Public safety issues
- Ongoing operation costs of the project





Methods to Finance Capital Projects

Current revenues (pay-as-you-go):

- Impact fees
- Gas taxes
- Infrastructure surtaxes

Debt

- Long-term
- Short-term

Grants





Methods to Finance Capital Projects

Pay-as-you-go revenues requires current revenues to be saved for the project



Advantages

- No interest or financing costs
- Suited for smaller projects not feasible to finance



Disadvantages

- Current taxpayers pay the project's entire cost but will be enjoyed by future taxpayers
- Reduces future financial flexibility





Methods to Finance Capital Projects

Debt Financing is the issuance of bonds, commercial paper, and/or bank note



Advantages

- Intergenerational equity
- Preserves reserves
- Suited for larger projects

Disadvantages

- Interest and finance costs
- Dedicated revenue stream restricts future use





Methods to Finance Capital Projects

- ☐ Tax increment financing requires a finding of necessity that blight exists within the CRA's boundaries
- ☐ Must be used within the CRA's boundaries and used to revitalize the area





Review

Budget Allotments are based on?

- A. Historical spending patterns and needs
- B. Equal allocation to each accounting period
- C. Allocation by performance measure
- D. Matching of expense budget to revenue





Review

Budget Allotments are based on?

- A. Historical spending patterns and needs**
- B. Equal allocation to each accounting period
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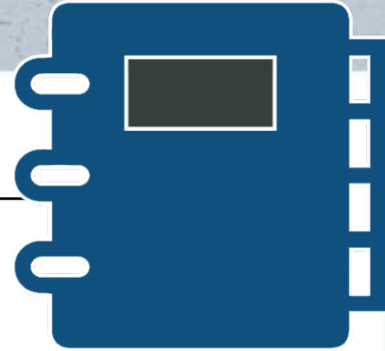




Source Materials



Source Materials



Florida Statutes

- Chapter 163 – Intergovernmental Programs
 - Part III – Community Redevelopment
- Chapter 200 – Determination of Millage
 - 200.065 – Method of fixing millage
 - 200.068 – Certification of compliance
 - 200.071 – Limitation of millage; counties
 - 200.081 – Millage limitation; municipalities
 - 200.18 – Bond payments; tax levies; restrictions
- Chapter 218.25 – Limitations of shared funds

<http://www.leg.state.fl.us>

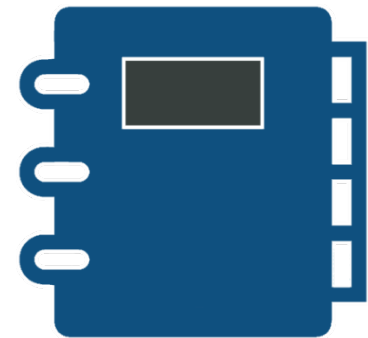




Source Materials

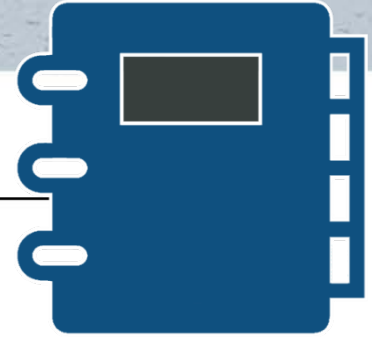
National Advisory Council on State and Local Budgeting (NACSLB)

- *Budgeting Best Practices*
 - *Principles and Elements*





Source Materials



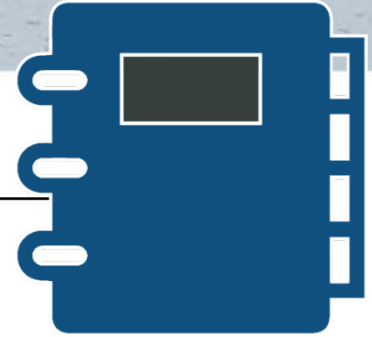
Government Finance Officers Association

- *Capital Improvement Programming: A Guide for Smaller Governments*
- *An Elected Official's Guide to Revenue Forecasting*
- *An Elected Official's Guide to Performance Measurement*
- *An Elected Official's Guide to Debt Issuance*
- *Distinguished Budget Presentation Award Criteria*





Source Materials



Government Finance Officers Association

- *Best Practices*
 - *Budgeting and Financial Planning*
- *Governmental Accounting, Auditing and Financial Reporting*
 - *Chapter 16 – Budgetary Integration and Reporting*
 - *Chapter 17 – Performance Measurement*

<https://www.gfoa.org/>





Questions?



The FGFOA is dedicated to being your professional resource by providing opportunities through Education, Networking, Leadership and Information.



Florida Government Finance Officers Association

Thank You!



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Florida Statutes

FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION

CERTIFIED GOVERNMENT FINANCE OFFICERS EXAM

REFERENCE MATERIALS GUIDE

MUNICIPAL BUDGETING

FLORIDA STATUTES REFERENCES

CHAPTER 200

DETERMINATION OF MILLAGE

- 200.001 Millages; definitions and general provisions.
- 200.011 Duty of county commissioners and school board in setting rate of taxation.
- 200.065 Method of fixing millage.
- 200.066 Newly created tax units.
- 200.068 Certification of compliance with this chapter.
- 200.069 Notice of proposed property taxes and non-ad valorem assessments.
- 200.071 Limitation of millage; counties.
- 200.081 Millage limitation; municipalities.
- 200.091 Referendum to increase millage.
- 200.101 Referendum for millage in excess of limits.
- 200.141 Millage following consolidation of city and county functions.
- 200.151 Millage to replace lost revenue.
- 200.171 Mandamus to levy tax; limitations.
- 200.181 Bond payments; tax levies; restrictions.

200.001 Millages; definitions and general provisions.—

- (1) County millages shall be composed of four categories of millage rates, as follows:
 - (a) General county millage, which shall be that nonvoted millage rate set by the governing body of the county.
 - (b) County debt service millage, which shall be that millage rate necessary to raise taxes for debt service as authorized by a vote of the electors pursuant to s. 12, Art. VII of the State Constitution.
 - (c) County voted millage, which shall be that millage rate set by the governing body of the county as authorized by a vote of the electors pursuant to s. 9(b), Art. VII of the State Constitution.
 - (d) County dependent special district millage, as provided in subsection (5).
- (2) Municipal millages shall be composed of four categories of millage rates, as follows:
 - (a) General municipal millage, which shall be that nonvoted millage rate set by the governing body of the municipality.

(b) Municipal debt service millage, which shall be that millage rate necessary to raise taxes for debt service as authorized by a vote of the electors pursuant to s. 12, Art. VII of the State Constitution.

(c) Municipal voted millage, which shall be that millage rate set by the governing body of the municipality as authorized by a vote of the electors pursuant to s. 9(b), Art. VII of the State Constitution.

(d) Municipal dependent special district millage, as provided in subsection (5).

(3) School millages shall be composed of five categories of millage rates, as follows:

(a) Nonvoted required school operating millage, which shall be that nonvoted millage rate set by the county school board for current operating purposes and imposed pursuant to s. 1011.60(6).

(b) Nonvoted discretionary school operating millage, which shall be that nonvoted millage rate set by the county school board for operating purposes other than the rate imposed pursuant to s. 1011.60(6) and other than the rate authorized in s. 1011.71(2).

(c) Voted district school operating millage, which shall be that millage rate set by the district school board for current school operating purposes as authorized by the electors pursuant to s. 9(b), Art. VII of the State Constitution.

(d) Nonvoted district school capital improvement millage, which shall be that millage rate set by the district school board for capital improvements as authorized in s. 1011.71(2).

(e) Voted district school debt service millage, which shall be that millage rate set by the district school board as authorized by a vote of the electors pursuant to s. 12, Art. VII of the State Constitution.

(4) Independent special district millage shall be that millage rate set by the governing body of an independent special district, which shall be identified:

(a) As to whether authorized by a special act approved by the electors pursuant to s. 9(b), Art. VII of the State Constitution, authorized pursuant to s. 15, Art. XII of the State Constitution, or otherwise authorized; and

(b) As to whether levied countywide, less than countywide, or on a multicounty basis.

(5) Dependent special district millage shall be that millage rate set by the board of county commissioners or the governing body of a municipality, ex officio or otherwise, which shall be identified as to the area covered; as to the taxing authority to which the district is dependent; and as to whether authorized by a special act, authorized by a special act and approved by the electors, authorized pursuant to s. 15, Art. XII of the State Constitution, authorized by s. 125.01(1)(q), or otherwise authorized.

(6) At any time millage rates are published for the purpose of giving notice, the rates shall be stated in terms of dollars and cents per thousand dollars of assessed property value.

(7) Millages shall be fixed only by ordinance or resolution of the governing body of the taxing authority in the manner specifically provided by general law or by special act.

(8)(a) "County" means a political subdivision of the state as established pursuant to s. 1, Art. VIII of the State Constitution.

(b) "Municipality" means a municipality created pursuant to general or special law but excludes metropolitan and consolidated governments as provided in s. 6(e) and (f), Art. VIII of the State Constitution, which shall be considered county governments. Such municipality must have held an election for its legislative body pursuant to law and established such a legislative body which meets pursuant to law.

(c) "Special district" means a special district as defined in s. 189.012.

(d) "Dependent special district" means a dependent special district as defined in s. 189.012. Dependent special district millage, when added to the millage of the governing body to which it is dependent, shall not exceed the maximum millage applicable to such governing body.

(e) "Independent special district" means an independent special district as defined in s. 189.012, with the exception of a downtown development authority established prior to the effective date of the 1968 State Constitution as an independent body, either appointed or elected, regardless of whether or not the budget is approved by the local governing body, if the district levies a millage authorized as of the effective date of the 1968 State Constitution. Independent special district millage shall not be levied in excess of a millage amount authorized by general law and approved by vote of the electors pursuant to s. 9(b), Art. VII of the State Constitution, except for those independent special districts levying millage for water management purposes as provided in that section and municipal service taxing units as specified in s. 125.01(1)(q) and (r). However, independent special district millage authorized as of the date the 1968 State Constitution became effective need not be so approved, pursuant to s. 2, Art. XII of the State Constitution.

(f) "Voted millage" or "voted levies" means ad valorem taxes in excess of maximum millage amounts authorized by law approved for periods not longer than 2 years by vote of the electors pursuant to s. 9(b), Art. VII of the State Constitution or ad valorem taxes levied for purposes provided in s. 12, Art. VII of the State Constitution. "Voted millage" does not include levies approved by voter referendum not required by general law or the State Constitution.

(g) "Aggregate millage rate" means that millage rate obtained from the quotient of the sum of all ad valorem taxes levied by the governing body of a county or municipality for countywide or municipality-wide purposes, respectively, plus the ad valorem taxes levied for all districts dependent to the governing body divided by the total taxable value of the county or municipality.

(h) "Dedicated increment value" means the proportion of the cumulative increase in taxable value within a defined geographic area used to determine a tax increment amount to be paid to a redevelopment trust fund pursuant to s. 163.387(2)(a) or to be paid or applied pursuant to an ordinance, resolution, or agreement to fund a project or to finance essential infrastructure. Upon creating any obligation for payment to a redevelopment trust fund or otherwise pursuant to an ordinance, resolution, or agreement to fund a project or to finance essential infrastructure based on an increase in assessed value, the taxing authority shall certify to the property appraiser the boundaries of the designated geographic area and the date of the most recent assessment roll used in connection with the taxation of such property prior to creation of the obligation. If the increment amount payment is not based on a specific proportion of the cumulative increase in taxable value within a defined geographic area, such value shall be reduced by multiplying by a proportion calculated by dividing the payment in the prior year, if any, by the product of the millage rate in the prior year and the cumulative increase in taxable value within the defined geographic area in the prior year. For tax years beginning on or after January 1, 2008, information provided to the property appraiser after May 1 of any year may not be used for the current year's certification.

(i) "Per capita Florida personal income" means Florida nominal personal income for the four quarters ending the prior September 30, as published by the Bureau of Economic Analysis of the United States Department of Commerce, or its successor, divided by the prior April 1 official estimate of

Florida resident population pursuant to s. 186.901, which shall be reported by the Office of Economic and Demographic Research by April 1 of each year.

(j) "Total county ad valorem taxes levied" means all property taxes other than voted levies levied by a county, any municipal service taxing units of that county, and any special districts dependent to that county in a fiscal year.

(k) "Total municipal ad valorem taxes levied" means all property taxes other than voted levies levied by a municipality and any special districts dependent to that municipality in a fiscal year.

(l) "Maximum total county ad valorem taxes levied" means the total taxes levied by a county, municipal service taxing units of that county, and special districts dependent to that county at their individual maximum millages, calculated pursuant to s. 200.065(5)(a) for fiscal years 2009-2010 and thereafter.

(m) "Maximum total municipal ad valorem taxes levied" means the total taxes levied by a municipality and special districts dependent to that municipality at their individual maximum millages, calculated pursuant to s. 200.065(5)(b) for fiscal years 2009-2010 and thereafter.

History.—s. 9, ch. 73-349; s. 27, ch. 80-274; s. 13, ch. 82-154; s. 9, ch. 83-204; s. 60, ch. 83-217; ss. 1, 2, ch. 86-153; s. 3, ch. 87-103; s. 6, ch. 87-239; s. 57, ch. 89-169; s. 1, ch. 90-172; s. 43, ch. 90-288; s. 51, ch. 94-232; s. 910, ch. 2002-387; s. 1, ch. 2007-321; s. 36, ch. 2008-4; s. 77, ch. 2014-22; s. 16, ch. 2016-10.

Note.—Former s. 200.191.

200.011 Duty of county commissioners and school board in setting rate of taxation.—

(1) The county commissioners shall determine the amount to be raised for all county purposes, except for county school purposes, and shall enter upon their minutes the rates to be levied for each fund respectively, together with the rates certified to be levied by the board of county commissioners for use of the county, special taxing district, board, agency, or other taxing unit within the county for which the board of county commissioners is required by law to levy taxes.

(2) The county commissioners shall ascertain the aggregate rate necessary to cover all such taxes and certify the same to the property appraiser within 30 days after the adjournment of the value adjustment board. The property appraiser shall carry out the full amount of taxes for all county purposes, except for school purposes, under one heading in the assessment roll to be provided for that purpose, and the county commissioners shall notify the clerk and auditor and tax collector of the county of the amounts to be apportioned to the different accounts out of the total taxes levied for all purposes.

(3) The county depository, in issuing receipts to the tax collector, shall state in each of his or her receipts, which shall be in duplicate, the amount deposited to each fund out of the deposits made with it by the tax collector. When any such receipts shall be given to the tax collector by the county depository, the tax collector shall immediately file one of the same with the clerk and auditor of the county, who shall credit the same to the tax collector with the amount thereof and make out and deliver to the tax collector a certificate setting forth the payment in detail, as shown by the receipt of the county depository.

(4) The county commissioners and school board shall file written statements with the property appraiser setting forth the boundary of each special school district and the district or territory in which

other special taxes are to be assessed, and the property appraiser shall, upon receipt of such statements and orders from the board of county commissioners and school board setting forth the rate of taxation to be levied on the real and personal property therein, proceed to assess such property and enter the taxes thereon in the assessment rolls to be provided for that purpose.

(5) The property appraiser shall designate and separately identify by certificate to the tax collector the rate of taxation to be levied for the use of the county and school board and the total rate of taxation for all other taxing authorities in the county.

(6) The board of county commissioners shall certify to the property appraiser and tax collector the millage rates to be levied for the use of the county and special taxing districts, boards, and authorities and all other taxing units within the county for which the board of county commissioners is required by law to levy taxes. The district school board, each municipality, and the governing board or governing authority of each special taxing district or other taxing unit within the county the taxes of which are assessed on the tax roll prepared by the property appraiser, but for which the board of county commissioners is not required by law to levy taxes, shall certify to the property appraiser and tax collector the millage rate set by such board, municipality, authority, special taxing district, or taxing unit. The certifications required by this subsection shall be made within 30 days after the value adjustment board adjourns.

History.—s. 2, ch. 4885, 1901; GS 532; s. 30, ch. 5596, 1907; RGS 731; CGL 937; s. 6, ch. 20722, 1941; s. 1, ch. 67-227; s. 1, ch. 67-512; ss. 1, 2, ch. 69-55; s. 1, ch. 69-300; s. 36, ch. 71-355; s. 18, ch. 76-133; s. 1, ch. 77-102; s. 1, ch. 77-248; s. 90, ch. 79-400; s. 71, ch. 82-226; s. 164, ch. 91-112; s. 1048, ch. 95-147.

Note.—Former s. 193.31.

1200.065 Method of fixing millage.—

(1) Upon completion of the assessment of all property pursuant to s. 193.023, the property appraiser shall certify to each taxing authority the taxable value within the jurisdiction of the taxing authority. This certification shall include a copy of the statement required to be submitted under s. 195.073(3), as applicable to that taxing authority. The form on which the certification is made shall include instructions to each taxing authority describing the proper method of computing a millage rate which, exclusive of new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent, property added due to geographic boundary changes, total taxable value of tangible personal property within the jurisdiction in excess of 115 percent of the previous year's total taxable value, and any dedicated increment value, will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year less the amount, if any, paid or applied as a consequence of an obligation measured by the dedicated increment value. That millage rate shall be known as the "rolled-back rate." The property appraiser shall also include instructions, as prescribed by the Department of Revenue, to each county and municipality, each special district dependent to a county or municipality, each municipal service taxing unit, and each independent special district describing the proper method of computing the millage rates

and taxes levied as specified in subsection (5). The Department of Revenue shall prescribe the instructions and forms that are necessary to administer this subsection and subsection (5). The information provided pursuant to this subsection shall also be sent to the tax collector by the property appraiser at the time it is sent to each taxing authority.

(2) No millage shall be levied until a resolution or ordinance has been approved by the governing board of the taxing authority which resolution or ordinance must be approved by the taxing authority according to the following procedure:

(a)1. Upon preparation of a tentative budget, but prior to adoption thereof, each taxing authority shall compute a proposed millage rate necessary to fund the tentative budget other than the portion of the budget to be funded from sources other than ad valorem taxes. In computing proposed or final millage rates, each taxing authority shall utilize not less than 95 percent of the taxable value certified pursuant to subsection (1).

2. The tentative budget of the county commission shall be prepared and submitted in accordance with s. 129.03.

3. The tentative budget of the school district shall be prepared and submitted in accordance with chapter 1011, provided that the date of submission shall not be later than 24 days after certification of value pursuant to subsection (1).

4. Taxing authorities other than the county and school district shall prepare and consider tentative and final budgets in accordance with this section and applicable provisions of law, including budget procedures applicable to the taxing authority, provided such procedures do not conflict with general law.

(b) Within 35 days of certification of value pursuant to subsection (1), each taxing authority shall advise the property appraiser of its proposed millage rate, of its rolled-back rate computed pursuant to subsection (1), and of the date, time, and place at which a public hearing will be held to consider the proposed millage rate and the tentative budget. The property appraiser shall utilize this information in preparing the notice of proposed property taxes pursuant to s. 200.069. The deadline for mailing the notice shall be the later of 55 days after certification of value pursuant to subsection (1) or 10 days after either the date the tax roll is approved or the interim roll procedures under s. 193.1145 are instituted. If the deadline for mailing the notice of proposed property taxes is 10 days after the date the tax roll is approved or the interim roll procedures are instituted, all subsequent deadlines provided in this section shall be extended. The number of days by which the deadlines shall be extended shall equal the number of days by which the deadline for mailing the notice of proposed taxes is extended beyond 55 days after certification. If any taxing authority fails to provide the information required in this paragraph to the property appraiser in a timely fashion, the taxing authority shall be prohibited from levying a millage rate greater than the rolled-back rate computed pursuant to subsection (1) for the upcoming fiscal year, which rate shall be computed by the property appraiser and used in preparing the notice of proposed property taxes.

(c) Within 80 days of the certification of value pursuant to subsection (1), but not earlier than 65 days after certification, the governing body of each taxing authority shall hold a public hearing on the tentative budget and proposed millage rate. Prior to the conclusion of the hearing, the governing body of the taxing authority shall amend the tentative budget as it sees fit, adopt the amended tentative budget, recompute its proposed millage rate, and publicly announce the percent, if any, by which the recomputed proposed millage rate

exceeds the rolled-back rate computed pursuant to subsection (1). That percent shall be characterized as the percentage increase in property taxes tentatively adopted by the governing body.

(d) Within 15 days after the meeting adopting the tentative budget, the taxing authority shall advertise in a newspaper of general circulation in the county as provided in subsection (3), its intent to finally adopt a millage rate and budget. A public hearing to finalize the budget and adopt a millage rate shall be held not less than 2 days nor more than 5 days after the day that the advertisement is first published. During the hearing, the governing body of the taxing authority shall amend the adopted tentative budget as it sees fit, adopt a final budget, and adopt a resolution or ordinance stating the millage rate to be levied. The resolution or ordinance shall state the percent, if any, by which the millage rate to be levied exceeds the rolled-back rate computed pursuant to subsection (1), which shall be characterized as the percentage increase in property taxes adopted by the governing body. The adoption of the budget and the millage-levy resolution or ordinance shall be by separate votes. For each taxing authority levying millage, the name of the taxing authority, the rolled-back rate, the percentage increase, and the millage rate to be levied shall be publicly announced prior to the adoption of the millage-levy resolution or ordinance. In no event may the millage rate adopted pursuant to this paragraph exceed the millage rate tentatively adopted pursuant to paragraph (c). If the rate tentatively adopted pursuant to paragraph (c) exceeds the proposed rate provided to the property appraiser pursuant to paragraph (b), or as subsequently adjusted pursuant to subsection (11), each taxpayer within the jurisdiction of the taxing authority shall be sent notice by first-class mail of his or her taxes under the tentatively adopted millage rate and his or her taxes under the previously proposed rate. The notice must be prepared by the property appraiser, at the expense of the taxing authority, and must generally conform to the requirements of s. 200.069. If such additional notice is necessary, its mailing must precede the hearing held pursuant to this paragraph by not less than 10 days and not more than 15 days.

(e)1. In the hearings required pursuant to paragraphs (c) and (d), the first substantive issue discussed shall be the percentage increase in millage over the rolled-back rate necessary to fund the budget, if any, and the specific purposes for which ad valorem tax revenues are being increased. During such discussion, the governing body shall hear comments regarding the proposed increase and explain the reasons for the proposed increase over the rolled-back rate. The general public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body shall adopt its tentative or final millage rate prior to adopting its tentative or final budget.

2. These hearings shall be held after 5 p.m. if scheduled on a day other than Saturday. No hearing shall be held on a Sunday. The county commission shall not schedule its hearings on days scheduled for hearings by the school board. The hearing dates scheduled by the county commission and school board shall not be utilized by any other taxing authority within the county for its public hearings. A multicounty taxing authority shall make every reasonable effort to avoid scheduling hearings on days utilized by the counties or school districts within its jurisdiction. Tax levies and budgets for dependent special taxing districts shall be adopted at the hearings for the taxing authority to which such districts are dependent, following such discussion and adoption of levies and budgets for the superior taxing authority. A taxing authority may adopt the tax levies for all of its dependent special taxing districts, and may adopt the budgets for all of its dependent special taxing districts, by a single unanimous vote. However, if a member of the general public requests that the

tax levy or budget of a dependent special taxing district be separately discussed and separately adopted, the taxing authority shall discuss and adopt that tax levy or budget separately. If, due to circumstances beyond the control of the taxing authority, the hearing provided for in paragraph (d) is recessed, the taxing authority shall publish a notice in a newspaper of general paid circulation in the county. The notice shall state the time and place for the continuation of the hearing and shall be published at least 2 days but not more than 5 days prior to the date the hearing will be continued.

(f)1. Notwithstanding any provisions of paragraph (c) to the contrary, each school district shall advertise its intent to adopt a tentative budget in a newspaper of general circulation pursuant to subsection (3) within 29 days of certification of value pursuant to subsection (1). Not less than 2 days or more than 5 days thereafter, the district shall hold a public hearing on the tentative budget pursuant to the applicable provisions of paragraph (c).

2. Notwithstanding any provisions of paragraph (b) to the contrary, each school district shall advise the property appraiser of its recomputed proposed millage rate within 35 days of certification of value pursuant to subsection (1). The recomputed proposed millage rate of the school district shall be considered its proposed millage rate for the purposes of paragraph (b).

3. Notwithstanding any provisions of paragraph (d) to the contrary, each school district shall hold a public hearing to finalize the budget and adopt a millage rate within 80 days of certification of value pursuant to subsection (1), but not earlier than 65 days after certification. The hearing shall be held in accordance with the applicable provisions of paragraph (d), except that a newspaper advertisement need not precede the hearing.

(g) Notwithstanding other provisions of law to the contrary, a taxing authority may:

1. Expend moneys based on its tentative budget after adoption pursuant to paragraph (c) and until such time as its final budget is adopted pursuant to paragraph (d), only if the fiscal year of the taxing authority begins prior to adoption of the final budget or, in the case of a school district, if the fall term begins prior to adoption of the final budget; or

2. Readopt its prior year's adopted final budget, as amended, and expend moneys based on that budget until such time as its tentative budget is adopted pursuant to paragraph (c), only if the fiscal year of the taxing authority begins prior to adoption of the tentative budget. The readopted budget shall be adopted by resolution without notice pursuant to this section at a duly constituted meeting of the governing body.

(3) The advertisement shall be no less than one-quarter page in size of a standard size or a tabloid size newspaper, and the headline in the advertisement shall be in a type no smaller than 18 point. The advertisement shall not be placed in that portion of the newspaper where legal notices and classified advertisements appear. The advertisement shall be published in a newspaper of general paid circulation in the county or in a geographically limited insert of such newspaper. The geographic boundaries in which such insert is circulated shall include the geographic boundaries of the taxing authority. It is the legislative intent that, whenever possible, the advertisement appear in a newspaper that is published at least 5 days a week unless the only newspaper in the county is published less than 5 days a week, or that the advertisement appear in a geographically limited insert of such newspaper which insert is published throughout the taxing authority's jurisdiction at least twice each week. It is further the legislative intent that the newspaper selected be one

of general interest and readership in the community and not one of limited subject matter, pursuant to chapter 50.

(a) For taxing authorities other than school districts which have tentatively adopted a millage rate in excess of 100 percent of the rolled-back rate computed pursuant to subsection (1), the advertisement shall be in the following form:

NOTICE OF PROPOSED TAX INCREASE

The (name of the taxing authority) has tentatively adopted a measure to increase its property tax levy.

Last year's property tax levy:

A. Initially proposed tax levy.....\$XX,XXX,XXX

B. Less tax reductions due to Value Adjustment Board and other assessment changes.....(\$XX,XXX,XXX)

C. Actual property tax levy.....\$XX,XXX,XXX

This year's proposed tax levy.....\$XX,XXX,XXX

All concerned citizens are invited to attend a public hearing on the tax increase to be held on (date and time) at (meeting place) .

A FINAL DECISION on the proposed tax increase and the budget will be made at this hearing.

(b) In all instances in which the provisions of paragraph (a) are inapplicable for taxing authorities other than school districts, the advertisement shall be in the following form:

NOTICE OF BUDGET HEARING

The (name of taxing authority) has tentatively adopted a budget for (fiscal year) . A public hearing to make a FINAL DECISION on the budget AND TAXES will be held on (date and time) at (meeting place) .

(c) For school districts which have proposed a millage rate in excess of 100 percent of the rolled-back rate computed pursuant to subsection (1) and which propose to levy nonvoted millage in excess of the minimum amount required pursuant to s. 1011.60(6), the advertisement shall be in the following form:

NOTICE OF PROPOSED TAX INCREASE

The (name of school district) will soon consider a measure to increase its property tax levy.

Last year's property tax levy:

A. Initially proposed tax levy.....\$XX,XXX,XXX

B. Less tax reductions due to Value Adjustment Board and other assessment changes.....(\$XX,XXX,XXX)

C. Actual property tax levy.....\$XX,XXX,XXX

This year's proposed tax levy.....\$XX,XXX,XXX

A portion of the tax levy is required under state law in order for the school board to receive \$ (amount A) in state education grants. The required portion has (increased or decreased) by (amount B) percent and represents approximately (amount C) of the total proposed taxes.

The remainder of the taxes is proposed solely at the discretion of the school board.

All concerned citizens are invited to a public hearing on the tax increase to be held on (date and time) at (meeting place) .

A DECISION on the proposed tax increase and the budget will be made at this hearing.

1. AMOUNT A shall be an estimate, provided by the Department of Education, of the amount to be received in the current fiscal year by the district from state appropriations for the Florida Education Finance Program.
 2. AMOUNT B shall be the percent increase over the rolled-back rate necessary to levy only the required local effort in the current fiscal year, computed as though in the preceding fiscal year only the required local effort was levied.
 3. AMOUNT C shall be the quotient of required local-effort millage divided by the total proposed nonvoted millage, rounded to the nearest tenth and stated in words; however, the stated amount shall not exceed nine-tenths.
- (d) For school districts which have proposed a millage rate in excess of 100 percent of the rolled-back rate computed pursuant to subsection (1) and which propose to levy as nonvoted millage only the minimum amount required pursuant to s. 1011.60(6), the advertisement shall be the same as provided in paragraph (c), except that the second and third paragraphs shall be replaced with the following paragraph:

This increase is required under state law in order for the school board to receive \$ (amount A) in state education grants.

(e) In all instances in which the provisions of paragraphs (c) and (d) are inapplicable for school districts, the advertisement shall be in the following form:

NOTICE OF BUDGET HEARING

The (name of school district) will soon consider a budget for (fiscal year) . A public hearing to make a DECISION on the budget AND TAXES will be held on (date and time) at (meeting place) .

(f) In lieu of publishing the notice set out in this subsection, the taxing authority may mail a copy of the notice to each elector residing within the jurisdiction of the taxing authority.

(g) In the event that the mailing of the notice of proposed property taxes is delayed beyond September 3 in a county, any multicounty taxing authority which levies ad valorem taxes within that county shall advertise its intention to adopt a tentative budget and millage rate in a newspaper of paid general circulation within that county, as provided in this subsection, and shall hold the hearing required pursuant to paragraph (2)(c) not less than 2 days or more than 5 days thereafter, and not later than September 18. The advertisement shall be in the following form, unless the proposed millage rate is less than or equal to the rolled-back rate, computed pursuant to subsection (1), in which case the advertisement shall be as provided in paragraph (e):

NOTICE OF TAX INCREASE

The (name of the taxing authority) proposes to increase its property tax levy by (percentage of increase over rolled-back rate) percent.

All concerned citizens are invited to attend a public hearing on the proposed tax increase to be held on (date and time) at (meeting place) .

(h) In no event shall any taxing authority add to or delete from the language of the advertisements as specified herein unless expressly authorized by law, except that, if an increase in ad valorem tax rates will affect only a portion of the jurisdiction of a taxing authority, advertisements may include a map or geographical description of the area to be affected and the proposed use of the tax revenues under consideration. In addition, if published in the newspaper, the map must be part of the online advertisement required by s. 50.0211. The advertisements required herein shall not be accompanied, preceded, or followed by other advertising or notices which conflict with or modify the substantive content prescribed herein.

(i) The advertisements required pursuant to paragraphs (b) and (e) need not be one-quarter page in size or have a headline in type no smaller than 18 point.

(j) The amounts to be published as percentages of increase over the rolled-back rate pursuant to this subsection shall be based on aggregate millage rates and shall exclude voted millage levies unless expressly provided otherwise in this subsection.

(k) Any taxing authority which will levy an ad valorem tax for an upcoming budget year but does not levy an ad valorem tax currently shall, in the advertisement specified in paragraph (a), paragraph (c), paragraph (d), or paragraph (g), replace the phrase "increase its property tax levy by (percentage of increase over rolled-back rate) percent" with the phrase "impose a new property tax levy of \$ (amount) per \$1,000 value."

(l) Any advertisement required pursuant to this section shall be accompanied by an adjacent notice meeting the budget summary requirements of s. 129.03(3)(b). Except for those taxing authorities proposing to levy ad valorem taxes for the first time, the following statement shall appear in the budget summary in boldfaced type immediately following the heading, if the applicable percentage is greater than zero:

THE PROPOSED OPERATING BUDGET EXPENDITURES OF (name of taxing authority) ARE (percent rounded to one decimal place) MORE THAN LAST YEAR'S TOTAL OPERATING EXPENDITURES.

For purposes of this paragraph, “proposed operating budget expenditures” or “operating expenditures” means all moneys of the local government, including dependent special districts, that:

1. Were or could be expended during the applicable fiscal year, or
2. Were or could be retained as a balance for future spending in the fiscal year.

Provided, however, those moneys held in or used in trust, agency, or internal service funds, and expenditures of bond proceeds for capital outlay or for advanced refunded debt principal, shall be excluded.

(4) The resolution or ordinance approved in the manner provided for in this section shall be forwarded to the property appraiser and the tax collector within 3 days after the adoption of such resolution or ordinance. No millage other than that approved by referendum may be levied until the resolution or ordinance to levy required in subsection (2) is approved by the governing board of the taxing authority and submitted to the property appraiser and the tax collector. The receipt of the resolution or ordinance by the property appraiser shall be considered official notice of the millage rate approved by the taxing authority, and that millage rate shall be the rate applied by the property appraiser in extending the rolls pursuant to s. 193.122, subject to the provisions of subsection (6). These submissions shall be made within 101 days of certification of value pursuant to subsection (1).

(5) In each fiscal year:

(a) The maximum millage rate that a county, municipality, special district dependent to a county or municipality, municipal service taxing unit, or independent special district may levy is a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied, adjusted for change in per capita Florida personal income, unless a higher rate was adopted, in which case the maximum is the adopted rate. The maximum millage rate applicable to a county authorized to levy a county public hospital surtax under s. 212.055 and which did so in fiscal year 2007 shall exclude the revenues required to be contributed to the county public general hospital in the current fiscal year for the purposes of making the maximum millage rate calculation, but shall be added back to the maximum millage rate allowed after the roll back has been applied, the total of which shall be considered the maximum millage rate for such a county for purposes of this subsection. The revenue required to be contributed to the county public general hospital for the upcoming fiscal year shall be calculated as 11.873 percent times the

millage rate levied for countywide purposes in fiscal year 2007 times 95 percent of the preliminary tax roll for the upcoming fiscal year. A higher rate may be adopted only under the following conditions:

1. A rate of not more than 110 percent of the rolled-back rate based on the previous year's maximum millage rate, adjusted for change in per capita Florida personal income, may be adopted if approved by a two-thirds vote of the membership of the governing body of the county, municipality, or independent district; or
2. A rate in excess of 110 percent may be adopted if approved by a unanimous vote of the membership of the governing body of the county, municipality, or independent district or by a three-fourths vote of the membership of the governing body if the governing body has nine or more members, or if the rate is approved by a referendum.

(b) The millage rate of a county or municipality, municipal service taxing unit of that county, and any special district dependent to that county or municipality may exceed the maximum millage rate calculated pursuant to this subsection if the total county ad valorem taxes levied or total municipal ad valorem taxes levied do not exceed the maximum total county ad valorem taxes levied or maximum total municipal ad valorem taxes levied respectively. Voted millage and taxes levied by a municipality or independent special district that has levied ad valorem taxes for less than 5 years are not subject to this limitation. The millage rate of a county authorized to levy a county public hospital surtax under s. 212.055 may exceed the maximum millage rate calculated pursuant to this subsection to the extent necessary to account for the revenues required to be contributed to the county public hospital. Total taxes levied may exceed the maximum calculated pursuant to subsection (6) as a result of an increase in taxable value above that certified in subsection (1) if such increase is less than the percentage amounts contained in subsection (6) or if the administrative adjustment cannot be made because the value adjustment board is still in session at the time the tax roll is extended; otherwise, millage rates subject to this subsection may be reduced so that total taxes levied do not exceed the maximum.

Any unit of government operating under a home rule charter adopted pursuant to ss. 10, 11, and 24, Art. VIII of the State Constitution of 1885, as preserved by s. 6(e), Art. VIII of the State Constitution of 1968, which is granted the authority in the State Constitution to exercise all the powers conferred now or hereafter by general law upon municipalities and which exercises such powers in the unincorporated area shall be recognized as a municipality under this subsection. For a downtown development authority established before the effective date of the 1968 State Constitution which has a millage that must be approved by a municipality, the governing body of that municipality shall be considered the governing body of the downtown development authority for purposes of this subsection.

(6) Prior to extension of the rolls pursuant to s. 193.122, the property appraiser shall notify each taxing authority of the aggregate change in the assessment roll, if any, from that certified pursuant to subsection (1), including, but not limited to, those changes which result from actions by the value adjustment board or from corrections of errors in the assessment roll. Municipalities, counties, school boards, and water management districts may adjust administratively their adopted millage rate without a public hearing if the taxable value within the jurisdiction of the taxing authority as certified pursuant to subsection (1) is at variance by more than 1 percent with the taxable value shown on the roll to be extended. Any other taxing authority may adjust administratively its adopted

millage rate without a public hearing if the taxable value within the jurisdiction of the taxing authority as certified pursuant to subsection (1) is at variance by more than 3 percent with the taxable value shown on the roll to be extended. The adjustment shall be such that the taxes computed by applying the adopted rate against the certified taxable value are equal to the taxes computed by applying the adjusted adopted rate to the taxable value on the roll to be extended. However, no adjustment shall be made to levies required by law to be a specific millage amount. Not later than 3 days after receipt of notification pursuant to this subsection, each affected taxing authority shall certify to the property appraiser its adjusted adopted rate. Failure to so certify shall constitute waiver of the adjustment privilege.

(7) Nothing contained in this section shall serve to extend or authorize any millage in excess of the maximum millage permitted by law or prevent the reduction of millage.

(8) The property appraiser shall deliver to the presiding officer of each taxing authority within the county, on June 1, an estimate of the total assessed value of nonexempt property for the current year for budget planning purposes.

(9) Multicounty taxing authorities are subject to the provisions of this section. The term "taxable value" means the taxable value of all property subject to taxation by the authority. If a multicounty taxing authority has not received a certification pursuant to subsection (1) from a county by July 15, it shall compute its proposed millage rate and rolled-back rate based upon estimates of taxable value supplied by the Department of Revenue. All dates for public hearings and advertisements specified in this section shall, with respect to multicounty taxing authorities, be computed as though certification of value pursuant to subsection (1) were made July 1. The multicounty district shall add the following sentence to the advertisement set forth in paragraphs (3)(a) and (g): This tax increase is applicable to (name of county or counties) .

(10)(a) In addition to the notice required in subsection (3), a district school board shall publish a second notice of intent to levy additional taxes under s. 1011.71(2) or (3). The notice shall specify the projects or number of school buses anticipated to be funded by the additional taxes and shall be published in the size, within the time periods, adjacent to, and in substantial conformity with the advertisement required under subsection (3). The projects shall be listed in priority within each category as follows: construction and remodeling; maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment; payments for educational facilities and sites due under a lease-purchase agreement; payments for renting and leasing educational facilities and sites; payments of loans approved pursuant to ss. 1011.14 and 1011.15; payment of costs of compliance with environmental statutes and regulations; payment of premiums for property and casualty insurance necessary to insure the educational and ancillary plants of the school district; payment of costs of leasing relocatable educational facilities; and payments to private entities to offset the cost of school buses pursuant to s. 1011.71(2)(i). The additional notice shall be in the following form, except that if the district school board is proposing to levy the same millage under s. 1011.71(2) or (3) which it levied in the prior year, the words "continue to" shall be inserted before the word "impose" in the first sentence, and except that the second sentence of the second paragraph shall be deleted if the district is advertising pursuant to paragraph (3)(e):

NOTICE OF TAX FOR SCHOOL
CAPITAL OUTLAY

The (name of school district) will soon consider a measure to impose a (number) mill property tax for the capital outlay projects listed herein.

This tax is in addition to the school board's proposed tax of (number) mills for operating expenses and is proposed solely at the discretion of the school board. **THE PROPOSED COMBINED SCHOOL BOARD TAX INCREASE FOR BOTH OPERATING EXPENSES AND CAPITAL OUTLAY IS SHOWN IN THE ADJACENT NOTICE.**

The capital outlay tax will generate approximately \$ (amount) , to be used for the following projects:

(list of capital outlay projects)

All concerned citizens are invited to a public hearing to be held on (date and time) at (meeting place) .

A DECISION on the proposed CAPITAL OUTLAY TAXES will be made at this hearing.

(b) In the event a school district needs to amend the list of capital outlay projects previously advertised and adopted, a notice of intent to amend the notice of tax for school capital outlay shall be published in conformity with the advertisement required in subsection (3). A public hearing to adopt the amended project list shall be held not less than 2 days nor more than 5 days after the day the advertisement is first published. The projects should be listed under each category of new, amended, or deleted projects in the same order as required in paragraph (a). The notice shall appear in the following form, except that any of the categories of new, amended, or deleted projects may be omitted if not appropriate for the changes proposed:

AMENDED NOTICE OF TAX FOR
SCHOOL CAPITAL OUTLAY

The School Board of (name) County will soon consider a measure to amend the use of property tax for the capital outlay projects previously advertised for the (year) to (year) school year.

New projects to be funded:

(list of capital outlay projects)

Amended projects to be funded:

(list of capital outlay projects)

Projects to be deleted:

(list of capital outlay projects)

All concerned citizens are invited to a public hearing to be held on (date and time) at (meeting place) .

A DECISION on the proposed amendment to the projects funded from CAPITAL OUTLAY TAXES will be made at this meeting.

(11) Notwithstanding the provisions of paragraph (2)(b) and s. 200.069(4)(f) to the contrary, the proposed millage rates provided to the property appraiser by the taxing authority, except for millage rates adopted by referendum, for rates authorized by s. 1011.71, and for rates required by law to be in a specified millage amount, shall be adjusted in the event that a review notice is issued pursuant to s. 193.1142(4) and the taxable value on the approved roll is at variance with the taxable value certified pursuant to subsection (1). The adjustment shall be made by the property appraiser, who shall notify the taxing authorities affected by the adjustment within 5 days of the date the roll is approved pursuant to s. 193.1142(4). The adjustment shall be such as to provide for no change in the dollar amount of taxes levied from that initially proposed by the taxing authority.

(12) The time periods specified in this section shall be determined by using the date of certification of value pursuant to subsection (1) or July 1, whichever date is later, as day 1. The time periods shall be considered directory and may be shortened, provided:

(a) No public hearing which is preceded by a mailed notice occurs earlier than 10 days following the mailing of such notice;

(b) Any public hearing preceded by a newspaper advertisement is held not less than 2 days or more than 5 days following publication of such advertisement; and

(c) The property appraiser coordinates such shortening of time periods and gives written notice to all affected taxing authorities; however, no taxing authority shall be denied its right to the full time periods allowed in this section.

(13)(a) Any taxing authority in violation of this section, other than subsection (5), shall be subject to forfeiture of state funds otherwise available to it for the 12 months following a determination of noncompliance by the Department of Revenue.

(b) Within 30 days of the deadline for certification of compliance required by s. 200.068, the department shall notify any taxing authority in violation of this section, other than subsection (5), that it is subject to paragraph (c). Except for revenues from voted levies or levies imposed pursuant to s. 1011.60(6), the revenues of any taxing authority in violation of this section, other than subsection (5), collected in excess of the rolled-back rate shall be held in escrow until the process required by paragraph (c) is completed and approved by the department. The department shall direct the tax collector to so hold such funds.

(c) Any taxing authority so noticed by the department shall repeat the hearing and notice process required by paragraph (2)(d), except that:

1. The advertisement shall appear within 15 days of notice from the department.

2. The advertisement, in addition to meeting the requirements of subsection (3), shall contain the following statement in boldfaced type immediately after the heading:

THE PREVIOUS NOTICE PLACED BY THE (name of taxing authority) HAS BEEN DETERMINED BY THE DEPARTMENT OF REVENUE TO BE IN VIOLATION OF THE LAW, NECESSITATING THIS SECOND NOTICE.

3. The millage newly adopted at this hearing shall not be forwarded to the tax collector or property appraiser and may not exceed the rate previously adopted.

4. If the newly adopted millage is less than the amount previously forwarded pursuant to subsection (4), any moneys collected in excess of the new levy shall be held in reserve until the subsequent fiscal year and shall then be utilized to reduce ad valorem taxes otherwise necessary.

(d) If any county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county is in violation of subsection (5) because total county or municipal ad valorem taxes exceeded the maximum total county or municipal ad valorem taxes, respectively, that county or municipality shall forfeit the distribution of local government half-cent sales tax revenues during the 12 months following a determination of noncompliance by the Department of Revenue as described in s. 218.63(3) and this subsection. If the executive director of the Department of Revenue determines that any county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county is in violation of subsection (5), the Department of Revenue and the county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county shall follow the procedures set forth in this paragraph or paragraph (e). During the pendency of any procedure under paragraph (e) or any administrative or judicial action to challenge any action taken under this subsection, the tax collector shall hold in escrow any revenues collected by the noncomplying county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county in excess of the amount allowed by subsection (5), as determined by the executive director. Such revenues shall be held in escrow until the process required by paragraph (e) is completed and approved by the department. The department shall direct the tax collector to so hold such funds. If the county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county remedies the noncompliance, any moneys collected in excess of the new levy or in excess of the amount allowed by subsection (5) shall be held in reserve until the subsequent fiscal year and shall then be used to reduce ad valorem taxes otherwise necessary. If the county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county does not remedy the noncompliance, the provisions of s. 218.63 shall apply.

(e) The following procedures shall be followed when the executive director notifies any county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county that he or she has determined that such taxing authority is in violation of subsection (5):

1. Within 30 days after the deadline for certification of compliance required by s. 200.068, the executive director shall notify any such county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county of his or her

determination regarding subsection (5) and that such taxing authority is subject to subparagraph 2.

2. Any taxing authority so noticed by the executive director shall repeat the hearing and notice process required by paragraph (2)(d), except that:

- a. The advertisement shall appear within 15 days after notice from the executive director.
- b. The advertisement, in addition to meeting the requirements of subsection (3), must contain the following statement in boldfaced type immediately after the heading:

THE PREVIOUS NOTICE PLACED BY THE (name of taxing authority) HAS BEEN DETERMINED BY THE DEPARTMENT OF REVENUE TO BE IN VIOLATION OF THE LAW, NECESSITATING THIS SECOND NOTICE.

c. The millage newly adopted at such hearing shall not be forwarded to the tax collector or property appraiser and may not exceed the rate previously adopted or the amount allowed by subsection (5). Each taxing authority provided notice pursuant to this paragraph shall recertify compliance with this chapter as provided in this section within 15 days after the adoption of a millage at such hearing.

d. The determination of the executive director shall be superseded if the executive director determines that the county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county has remedied the noncompliance. Such noncompliance shall be determined to be remedied if any such taxing authority provided notice by the executive director pursuant to this paragraph adopts a new millage that does not exceed the maximum millage allowed for such taxing authority under paragraph (5)(a), or if any such county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county adopts a lower millage sufficient to reduce the total taxes levied such that total taxes levied do not exceed the maximum as provided in paragraph (5)(b).

e. If any such county or municipality, dependent special district of such county or municipality, or municipal service taxing unit of such county has not remedied the noncompliance or recertified compliance with this chapter as provided in this paragraph, and the executive director determines that the noncompliance has not been remedied or compliance has not been recertified, the county or municipality shall forfeit the distribution of local government half-cent sales tax revenues during the 12 months following a determination of noncompliance by the Department of Revenue as described in s. 218.63(2) and (3) and this subsection.

f. The determination of the executive director is not subject to chapter 120.

(14)(a) If the notice of proposed property taxes mailed to taxpayers under this section contains an error, the property appraiser, in lieu of mailing a corrected notice to all taxpayers, may correct the error by mailing a short form of the notice to those taxpayers affected by the error and its correction. The notice shall be prepared by the property appraiser at the expense of the taxing authority which caused the error or at the property appraiser's expense if he or she caused the error. The form of the notice must be approved by the executive director of the Department of Revenue or the executive director's designee. If the error involves only the date and time of the public hearings required by this

section, the property appraiser, with the permission of the taxing authority affected by the error, may correct the error by advertising the corrected information in a newspaper of general circulation in the county as provided in subsection (3).

(b) Errors that may be corrected in this manner are:

1. Incorrect location, time, or date of a public hearing.
2. Incorrect assessed, exempt, or taxable value.
3. Incorrect amount of taxes as reflected in column one, column two, or column three of the notice; and
4. Any other error as approved by the executive director of the Department of Revenue or the executive director's designee.

(15) The provisions of this section shall apply to all taxing authorities in this state which levy ad valorem taxes, and shall control over any special law which is inconsistent or in conflict with this section, except to the extent the special law expressly exempts a taxing authority from the provisions of this section. This subsection is a clarification of existing law, and in the absence of such express exemption, no past or future budget or levy of taxes shall be set aside upon the ground that the taxing authority failed to comply with any special law prescribing a schedule or procedure for such adoption which is inconsistent or in conflict with the provisions of this section.

History.—s. 13, ch. 73-172; s. 16, ch. 74-234; ss. 1, 2, ch. 75-68; s. 19, ch. 76-133; s. 1, ch. 77-102; s. 1, ch. 77-174; s. 1, ch. 78-228; ss. 2, 9, ch. 80-261; s. 25, ch. 80-274; s. 14, ch. 82-154; s. 12, ch. 82-208; ss. 4, 11, 25, 72, 80, ch. 82-226; s. 5, ch. 82-388; s. 2, ch. 82-399; s. 28, ch. 83-204; s. 61, ch. 83-217; s. 2, ch. 84-164; s. 20, ch. 84-356; s. 1, ch. 86-190; s. 12, ch. 86-300; s. 5, ch. 87-284; s. 13, ch. 88-216; s. 2, ch. 88-223; s. 14, ch. 90-241; ss. 136, 165, ch. 91-112; s. 8, ch. 91-295; s. 1, ch. 92-163; ss. 5, 15, ch. 93-132; s. 25, ch. 93-233; s. 1, ch. 93-241; s. 52, ch. 94-232; s. 4, ch. 94-344; s. 41, ch. 94-353; s. 1481, ch. 95-147; s. 2, ch. 95-359; ss. 1, 2, 3, ch. 96-211; s. 1, ch. 98-32; s. 1, ch. 98-53; s. 18, ch. 99-6; s. 11, ch. 2002-18; s. 911, ch. 2002-387; s. 2, ch. 2004-346; s. 3, ch. 2007-194; ss. 2, 33, ch. 2007-321; s. 11, ch. 2008-173; s. 3, ch. 2009-165; s. 29, ch. 2012-193; s. 7, ch. 2012-212; s. 13, ch. 2015-2; s. 17, ch. 2016-10; s. 2, ch. 2017-35.

¹Note.—Section 4, ch. 2017-35, provides that “[t]his act shall take effect on the effective date of the amendment to the State Constitution proposed by HJR 7105 or a similar joint resolution having substantially the same specific intent and purpose, if such amendment to the State Constitution is approved at the general election held in November 2018 and shall apply to the 2019 tax roll.” If such an amendment is approved, current subsection (15) is renumbered as subsection (16), and a new subsection (15) is added, by s. 2, ch. 2017-35, to read:

(15)(a) Notwithstanding the method of computing the rolled-back rate in subsection (1), the taxable value that is used in computing the rolled-back rate in subsection (1) and the maximum millage rate under subsection (5) shall be increased by an amount equal to the reduction in taxable value occurring as a result of the revision to s. 6(a) of Art. VII of the State Constitution approved in November 2018 which authorizes an additional exemption of up to \$25,000 for all levies other than school district levies. For purposes of this paragraph, the taxable value shall be based on value as of January 1, 2019, within each taxing authority.

(b) This subsection is repealed on December 31, 2019.

200.066 Newly created tax units.

Ad valorem taxes of newly created municipalities or special districts shall be initially imposed no earlier than the January 1 subsequent to the creation or establishment of the municipality or district. The creation by a county of a municipal service taxing unit under s. 125.01 is not controlled by this section if the boundaries of the municipal service taxing unit conform to the boundaries of existing special districts, include all the unincorporated areas, or include all the incorporated areas of a municipality, and if the taxing unit is created before July 1 if millage is to be imposed in the ensuing county budget.

History.—s. 5, ch. 82-226; s. 29, ch. 83-204; s. 2, ch. 84-371; s. 3, ch. 91-238.

200.068 Certification of compliance with this chapter.

Not later than 30 days following adoption of an ordinance or resolution establishing a property tax levy, each taxing authority shall certify compliance with the provisions of this chapter to the Department of Revenue. In addition to a statement of compliance, such certification shall include a copy of the ordinance or resolution so adopted; a copy of the certification of value showing rolled-back millage and proposed millage rates, as provided to the property appraiser pursuant to s. 200.065(1) and (2)(b); maximum millage rates calculated pursuant to s. 200.065(5), together with values and calculations upon which the maximum millage rates are based; and a certified copy of the advertisement, as published pursuant to s. 200.065(3). In certifying compliance, the governing body of the county shall also include a certified copy of the notice required under s. 194.037. However, if the value adjustment board completes its hearings after the deadline for certification under this section, the county shall submit such copy to the department not later than 30 days following completion of such hearings.

History.—s. 6, ch. 82-226; s. 30, ch. 83-204; s. 166, ch. 91-112; ss. 7, 21, ch. 95-272; s. 7, ch. 97-287; s. 3, ch. 2007-321; s. 18, ch. 2016-10.

200.069 Notice of proposed property taxes and non-ad valorem assessments.

Pursuant to s. 200.065(2)(b), the property appraiser, in the name of the taxing authorities and local governing boards levying non-ad valorem assessments within his or her jurisdiction and at the expense of the county, shall prepare and deliver by first-class mail to each taxpayer to be listed on the current year's assessment roll a notice of proposed property taxes, which notice shall contain the elements and use the format provided in the following form. Notwithstanding the provisions of s. 195.022, no county officer shall use a form other than that provided herein. The Department of Revenue may adjust the spacing and placement on the form of the elements listed in this section as it considers necessary based on changes in conditions necessitated by various taxing authorities. If the elements are in the order listed, the placement of the listed columns may be varied at the discretion and expense of the property appraiser, and the property appraiser may use printing technology and devices to complete the form, the spacing, and the placement of the information in the columns. A county officer may use

a form other than that provided by the department for purposes of this part, but only if his or her office pays the related expenses and he or she obtains prior written permission from the executive director of the department; however, a county officer may not use a form the substantive content of which is at variance with the form prescribed by the department. The county officer may continue to use such an approved form until the law that specifies the form is amended or repealed or until the officer receives written disapproval from the executive director.

(1) The first page of the notice shall read:

NOTICE OF PROPOSED PROPERTY TAXES
DO NOT PAY—THIS IS NOT A BILL

The taxing authorities which levy property taxes against your property will soon hold PUBLIC HEARINGS to adopt budgets and tax rates for the next year.

The purpose of these PUBLIC HEARINGS is to receive opinions from the general public and to answer questions on the proposed tax change and budget PRIOR TO TAKING FINAL ACTION.

Each taxing authority may AMEND OR ALTER its proposals at the hearing.

(2)(a) The notice shall include a brief legal description of the property, the name and mailing address of the owner of record, and the tax information applicable to the specific parcel in question. The information shall be in columnar form. There shall be seven column headings which shall read: "Taxing Authority," "Your Property Taxes Last Year," "Last Year's Adjusted Tax Rate (Millage)," "Your Taxes This Year IF NO Budget Change Is Adopted," "Tax Rate This Year IF PROPOSED Budget Is Adopted (Millage)," "Your Taxes This Year IF PROPOSED Budget Change Is Adopted," and "A Public Hearing on the Proposed Taxes and Budget Will Be Held:."

(b) As used in this section, the term "last year's adjusted tax rate" means the rolled-back rate calculated pursuant to s. 200.065(1).

(3) There shall be under each column heading an entry for the county; the school district levy required pursuant to s. 1011.60(6); other operating school levies; the municipality or municipal service taxing unit or units in which the parcel lies, if any; the water management district levying pursuant to s. 373.503; the independent special districts in which the parcel lies, if any; and for all voted levies for debt service applicable to the parcel, if any.

(4) For each entry listed in subsection (3), there shall appear on the notice the following:

(a) In the first column, a brief, commonly used name for the taxing authority or its governing body. The entry in the first column for the levy required pursuant to s. 1011.60(6) shall be "By State Law." The entry for other operating school district levies shall be "By Local Board." Both school levy entries shall be indented and preceded by the notation "Public Schools:". For each voted levy for debt service, the entry shall be "Voter Approved Debt Payments."

(b) In the second column, the gross amount of ad valorem taxes levied against the parcel in the previous year. If the parcel did not exist in the previous year, the second column shall be blank.

(c) In the third column, last year's adjusted tax rate or, in the case of voted levies for debt service, the tax rate previously authorized by referendum.

(d) In the fourth column, the gross amount of ad valorem taxes which will apply to the parcel in the current year if each taxing authority levies last year's adjusted tax rate or, in the case of voted levies for debt service, the amount previously authorized by referendum.

(e) In the fifth column, the tax rate that each taxing authority must levy against the parcel to fund the proposed budget or, in the case of voted levies for debt service, the tax rate previously authorized by referendum.

(f) In the sixth column, the gross amount of ad valorem taxes that must be levied in the current year if the proposed budget is adopted.

(g) In the seventh column, the date, the time, and a brief description of the location of the public hearing required pursuant to s. 200.065(2)(c).

(5) Following the entries for each taxing authority, a final entry shall show: in the first column, the words "Total Property Taxes:" and in the second, fourth, and sixth columns, the sum of the entries for each of the individual taxing authorities. The second, fourth, and sixth columns shall, immediately below said entries, be labeled Column 1, Column 2, and Column 3, respectively. Below these labels shall appear, in boldfaced type, the statement: SEE REVERSE SIDE FOR EXPLANATION.

(6)(a) The second page of the notice shall state the parcel's market value and for each taxing authority that levies an ad valorem tax against the parcel:

1. The assessed value, value of exemptions, and taxable value for the previous year and the current year.

2. Each assessment reduction and exemption applicable to the property, including the value of the assessment reduction or exemption and tax levies to which they apply.

(b) The reverse side of the second page shall contain definitions and explanations for the values included on the front side.

(7) The following statement shall appear after the values listed on the front of the second page:

If you feel that the market value of your property is inaccurate or does not reflect fair market value, or if you are entitled to an exemption or classification that is not reflected above, contact your county property appraiser at (phone number) or (location).

If the property appraiser's office is unable to resolve the matter as to market value, classification, or an exemption, you may file a petition for adjustment with the Value Adjustment Board. Petition forms are available from the county property appraiser and must be filed ON OR BEFORE (date).

(8) The reverse side of the first page of the form shall read:

EXPLANATION

*COLUMN 1—"YOUR PROPERTY TAXES LAST YEAR"

This column shows the taxes that applied last year to your property. These amounts were based on budgets adopted last year and your property's previous taxable value.

*COLUMN 2—"YOUR TAXES IF NO BUDGET CHANGE IS ADOPTED"

This column shows what your taxes will be this year IF EACH TAXING AUTHORITY DOES NOT CHANGE ITS PROPERTY TAX LEVY. These amounts are based on last year's budgets and your current assessment.

*COLUMN 3—"YOUR TAXES IF PROPOSED BUDGET CHANGE IS ADOPTED"

This column shows what your taxes will be this year under the BUDGET ACTUALLY PROPOSED by each local taxing authority. The proposal is NOT final and may be amended at the public hearings shown on the front side of this notice. The difference between columns 2 and 3 is the tax change proposed by each local taxing authority and is NOT the result of higher assessments.

*Note: Amounts shown on this form do NOT reflect early payment discounts you may have received or may be eligible to receive. (Discounts are a maximum of 4 percent of the amounts shown on this form.)

(9) The bottom portion of the notice shall further read in bold, conspicuous print:

“Your final tax bill may contain non-ad valorem assessments which may not be reflected on this notice such as assessments for roads, fire, garbage, lighting, drainage, water, sewer, or other governmental services and facilities which may be levied by your county, city, or any special district.”

(10)(a) If requested by the local governing board levying non-ad valorem assessments and agreed to by the property appraiser, the notice specified in this section may contain a notice of proposed or adopted non-ad valorem assessments. If so agreed, the notice shall be titled:

NOTICE OF PROPOSED PROPERTY TAXES
AND PROPOSED OR ADOPTED
NON-AD VALOREM ASSESSMENTS
DO NOT PAY—THIS IS NOT A BILL

There must be a clear partition between the notice of proposed property taxes and the notice of proposed or adopted non-ad valorem assessments. The partition must be a bold, horizontal line approximately 1/8-inch thick. By rule, the department shall provide a format for the form of the notice of proposed or adopted non-ad valorem assessments which meets the following minimum requirements:

1. There must be subheading for columns listing the levying local governing board, with corresponding assessment rates expressed in dollars and cents per unit of assessment, and the associated assessment amount.
2. The purpose of each assessment must also be listed in the column listing the levying local governing board if the purpose is not clearly indicated by the name of the board.
3. Each non-ad valorem assessment for each levying local governing board must be listed separately.
4. If a county has too many municipal service benefit units or assessments to be listed separately, it shall combine them by function.
5. A brief statement outlining the responsibility of the tax collector and each levying local governing board as to any non-ad valorem assessment must be provided on the form, accompanied by directions as to which office to contact for particular questions or problems.

(b) If the notice includes all adopted non-ad valorem assessments, the provisions contained in subsection (9) shall not be placed on the notice.

History.—s. 26, ch. 80-274; s. 15, ch. 82-154; s. 12, ch. 82-226; s. 10, ch. 82-385; s. 13, ch. 83-204; s. 3, ch. 84-371; s. 212, ch. 85-342; s. 12, ch. 90-343; ss. 137, 167, ch. 91-112; s. 2, ch. 92-163; s. 17, ch. 93-132; s. 53, ch. 94-232; s. 67, ch. 94-353; s. 1482, ch. 95-147; s. 26, ch. 97-255; s. 4, ch. 98-167; s. 4, ch. 2001-137; s. 7, ch. 2002-18; s. 912, ch. 2002-387; s. 1, ch. 2009-165; s. 30, ch. 2010-5.

200.071 Limitation of millage; counties.

(1) Except as otherwise provided herein, no ad valorem tax millage shall be levied against real property and tangible personal property by counties in excess of 10 mills, except for voted levies.

(2) The board of county commissioners shall, in the event the sum of the proposed millage for the county and dependent districts therein is more than the maximum allowed hereunder, reduce the millage to be levied for county officers, departments, divisions, commissions, authorities, and dependent special districts so as not to exceed the maximum millage provided under this section or s. 200.091.

(3) Any county which, through a municipal service taxing unit, provides services or facilities of the kind or type commonly provided by municipalities, may levy, in addition to the millages otherwise provided in this section, against real property and tangible personal property within each such municipal service taxing unit an ad valorem tax millage not in excess of 10 mills to pay for such services or facilities provided with the funds obtained through such levy within such municipal service taxing unit.

History.—s. 1, ch. 67-395; ss. 1, 2, ch. 69-55; s. 28, ch. 69-216; s. 1, ch. 69-300; s. 2, ch. 70-368; s. 3, ch. 74-191; s. 16, ch. 82-154; s. 11, ch. 82-385; s. 4, ch. 91-238.

Note.—Former s. 193.321.

200.081 Millage limitation; municipalities.

No municipality shall levy ad valorem taxes against real property and tangible personal property in excess of 10 mills, except for voted levies.

History.—s. 1, ch. 67-396; ss. 1, 2, ch. 69-55; s. 17, ch. 82-154.

Note.—Former s. 167.441.

200.091 Referendum to increase millage.

The millage authorized to be levied in s. 200.071 for county purposes, including dependent districts therein, may be increased for periods not exceeding 2 years, provided such levy has been approved by majority vote of the qualified electors in the county or district voting in an election called for such purpose. Such an election may be called by the governing body of any such county or district on its own motion and shall be called upon submission of a petition specifying the amount of millage sought to be levied and the purpose for which the proceeds will be expended and containing the signatures of at least 10 percent of the persons qualified to vote in such election, signed within 60 days prior to the date the petition is filed.

History.—s. 2, ch. 67-395; ss. 1, 2, ch. 69-55; s. 19, ch. 82-154; s. 62, ch. 83-217.

Note.—Former s. 193.322.

200.101 Referendum for millage in excess of limits.

The qualified electors of a municipality may by majority vote of those voting approve an increase of millage above those limits imposed by s. 200.081 in a referendum called for such purpose by the governing body of the municipality, but the period of such increase may not exceed 2 years. Such referendum also may be initiated by submission of a petition to the governing body of the municipality containing the signatures of 10 percent of those persons eligible to vote in such referendum, which signatures were affixed to the petition within 60 days prior to its submission.

History.—s. 2, ch. 67-396; ss. 1, 2, ch. 69-55; s. 20, ch. 82-154.

Note.—Former s. 167.442.

200.141 Millage following consolidation of city and county functions.

Those cities or counties which now or hereafter provide both municipal and county services as authorized under ss. 9-11 and 24 of Art. VIII of the State Constitution of 1885, as preserved by s. (6)(e), Art. VIII of the State Constitution of 1968, shall have the right to levy for county, district and municipal purposes a millage up to 20 mills on the dollar of assessed valuation under this section. For each increase in the county millage above 10 mills which is attributable to an assumption of municipal services by a county having home rule, or for each increase in the municipal millage above 10 mills which is attributable to an assumption of county services by a city having home rule, there shall be a decrease in the millage levied by each and every municipality which has a service or services assumed by the county, or by the county which has a service or services assumed by the city. Such decrease shall be equal to the cost of that service or services assumed, so that an amount equal to that cost shall be eliminated from the budget of the county or city giving up the performance of such service or services.

History.—s. 5, ch. 67-395; ss. 1, 2, ch. 69-55; s. 11, ch. 69-216; s. 19, ch. 2016-10.

Note.—Former s. 193.325.

200.151 Millage to replace lost revenue.

In the event any municipality should lose revenue through the loss of a proprietary activity or other source of revenue, the governing body of the municipality is authorized to increase the millage in an amount sufficient to restore such loss of revenue. In the event any municipality should relinquish any governmental function to a county or other governmental body, the governing body of such municipality shall reduce the millage in an amount which will equal the cost of such governmental function.

History.—s. 3, ch. 67-396; ss. 1, 2, ch. 69-55.

Note.—Former s. 167.443.

200.171 Mandamus to levy tax; limitations.

In any suit brought in any court of this state seeking to compel the levy of any tax for the payment of any bonds, coupons or other evidences of indebtedness, or to establish a sinking fund for their ultimate redemption at maturity, the peremptory writ, if issued by the court, shall in no case require a levy in excess of the ability of the taxing unit involved to pay the taxes commanded to be levied; and if such taxing unit be one having other functions of civil government to perform, the court shall also take into consideration in commanding such levy, the necessity of such unit to make a reasonably ample levy of taxes for the purpose of raising revenue with which to pay for the operation of the ordinary functions of civil government which such unit performs; provided, this section shall not apply to bonds, coupons or other evidences of indebtedness issued subsequent to the passage of this law. The ability of the taxing unit involved to pay the taxes commanded to be levied shall be determined by the court within its sound discretion by the application of equitable considerations in view of all the conditions of the taxing unit bearing upon such ability to pay; and such ability to pay shall be first found and determined before the issuance of any such peremptory writ.

History.—s. 1, ch. 18301, 1937; CGL 1940 Supp. 2321(3); ss. 1, 2, ch. 69-55.

Note.—Former s. 192.34.

200.181 Bond payments; tax levies; restrictions.—

(1) None of the provisions of this chapter or of any other law, whether general, special or local or of the charter of any municipality or county, shall limit or restrict the rate or the amount of the ad valorem taxes levied for the payment of the principal of and the interest on any debt service whether secured by revenue certificates or by bonds for which the full faith and credit of any county, municipality or taxing district may be pledged, and such taxes shall be in addition to all other taxes authorized or limited by law.

(2) Nothing in this section shall prevent any municipality, county or school board from levying at least 5 mills of ad valorem tax during any fiscal year.

(3) A county or municipality may levy voted millage at the maximum millage rate approved by referendum even if the levy would raise revenue in excess of that necessary for debt service as authorized by a vote of the electors pursuant to s. 12, Art. VII of the State Constitution. The county or municipality may use the surplus revenue for any lawful purpose solely related to the capital project for which the voted millage was approved, including operations and maintenance. For purposes of this chapter, the portion of the voted millage necessary to pay debt service must be treated as debt service millage and the excess portion must be treated as general millage. The portion treated as general millage must be included within the millage levied under the county or municipal 10-mill limitation.

History.—ss. 1, 3, ch. 67-536; ss. 1, 2, ch. 69-55; s. 1, ch. 69-300; s. 1, ch. 96-259.

Note.—Former s. 193.77

218.25 Limitations of shared funds

218.25 Limitation of shared funds; holders of bonds protected; limitation on use of second guaranteed entitlement for counties.—

(1) Except as provided in subsection (2) with respect to the second guaranteed entitlement for counties, local governments shall not use any portion of the moneys received in excess of the guaranteed entitlement from the revenue sharing trust funds created by this part to assign, pledge, or set aside as a trust for the payment of principal or interest on bonds, tax anticipation certificates, or any other form of indebtedness, and there shall be no other use restriction on revenues shared pursuant to this part. The state does hereby covenant with holders of bonds or other instruments of indebtedness issued by local governments prior to July 1, 1972, that it is not the intent of this part to affect adversely the rights of said holders or to relieve local governments of the duty to meet their obligations as a result of previous pledges or assignments or trusts entered into which obligated funds received from revenue sources which by terms of this part shall henceforth be distributed out of the revenue sharing trust funds.

(2) The second guaranteed entitlement for counties may be assigned, pledged, or set aside as a trust for the payment of principal or interest on bonds, tax anticipation certificates, or any other form of indebtedness, including obligations issued to acquire an insurance contract or contracts from a local government liability pool and including payments required pursuant to any loan agreement entered into to provide funds to acquire an insurance contract or contracts from a local government liability pool.

(3) As an additional assurance to holders of bonds issued before April 18, 2000, which are secured by the guaranteed entitlement or second guaranteed entitlement for counties, or bonds issued to refund such bonds which mature no later than the bonds that they refunded and which result in a reduction of debt service payable in each fiscal year, it is the intent of the Legislature that, to the extent the elimination of tax sources dedicated to funding the guaranteed entitlement or the second guaranteed entitlement for counties or a reduction in the rate of assessment of such taxes results in an inability of a county to pay debt service on such bonds, the Legislature will provide alternative funding sources in an amount sufficient to pay any deficit in the amount required for such debt service. This commitment of the Legislature is contingent on the county first using any funds available under this part for the payment of such debt service.

(4) Notwithstanding subsections (1) and (2), a local government may assign, pledge, or set aside as a trust for the payment of principal or interest on bonds, tax anticipation certificates, or any other form of indebtedness an amount up to 50 percent of the funds received in the prior year.

History.—s. 1, ch. 72-360; s. 1, ch. 73-349; s. 1, ch. 74-194; s. 9, ch. 87-237; s. 11, ch. 2000-173; s. 96, ch. 2003-402.

CHAPTER 163

INTERGOVERNMENTAL PROGRAMS

PART III

COMMUNITY REDEVELOPMENT

(ss. 163.330-163.463)

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- 163.463 Applicability of ch. 2002-294.

163.330 Short title.—This part shall be known and may be cited as the “Community Redevelopment Act of 1969.”
History.—s. 1, ch. 69-305.

163.335 Findings and declarations of necessity.—
(1) It is hereby found and declared that there exist in counties and municipalities of the state slum and blighted areas which constitute a serious and growing menace, injurious to the public health, safety, morals, and welfare of the residents of the state; that the existence of such areas contributes substantially and increasingly to the spread of disease and crime, constitutes an economic and social liability imposing onerous burdens which decrease the tax base and reduce tax revenues, substantially impairs or arrests sound

growth, retards the provision of housing accommodations, aggravates traffic problems, and substantially hampers the elimination of traffic hazards and the improvement of traffic facilities; and that the prevention and elimination of slums and blight is a matter of state policy and state concern in order that the state and its counties and municipalities shall not continue to be endangered by areas which are focal centers of disease, promote juvenile delinquency, and consume an excessive proportion of its revenues because of the extra services required for police, fire, accident, hospitalization, and other forms of public protection, services, and facilities.

(2) It is further found and declared that certain slum or blighted areas, or portions thereof, may require acquisition, clearance, and disposition subject to use restrictions, as provided in this part, since the prevailing condition of decay may make impracticable the reclamation of the area by conservation or rehabilitation; that other areas or portions thereof may, through the means provided in this part, be susceptible of conservation or rehabilitation in such a manner that the conditions and evils enumerated may be eliminated, remedied, or prevented; and that salvageable slum and blighted areas can be conserved and rehabilitated through appropriate public action as herein authorized and the cooperation and voluntary action of the owners and tenants of property in such areas.

(3) It is further found and declared that the powers conferred by this part are for public uses and purposes for which public money may be expended and police power exercised, and the necessity in the public interest for the provisions herein enacted is declared as a matter of legislative determination.

(4) It is further found that coastal resort and tourist areas or portions thereof which are deteriorating and economically distressed due to building density patterns, inadequate transportation and parking facilities, faulty lot layout, or inadequate street layout, could, through the means provided in this part, be revitalized and redeveloped in a manner that will vastly improve the economic and social conditions of the community.

(5) It is further found and declared that the preservation or enhancement of the tax base from which a taxing authority realizes tax revenues is essential to its existence and financial health; that the preservation and enhancement of such tax base is implicit in the purposes for which a taxing authority is established; that tax increment financing is an effective method of achieving such preservation and enhancement in areas in which such tax base is declining; that community redevelopment in such areas, when complete, will enhance such tax base and provide increased tax revenues to all affected taxing authorities, increasing their ability to accomplish their other respective purposes; and that the preservation and enhancement of the tax base in such areas through tax increment financing and the levying of taxes by such taxing authorities therefor and the appropriation of funds to a redevelopment trust fund bears a substantial relation to the purposes of such taxing authorities and is for their respective purposes and concerns. This subsection does not apply in any jurisdiction where the community redevelopment agency validated bonds as of April 30, 1984.

(6) It is further found and declared that there exists in counties and municipalities of the state a severe shortage of housing affordable to residents of low or moderate income, including the elderly; that the existence of such condition affects the health, safety, and welfare of the residents of such counties and municipalities and retards their growth and economic and social development; and that the elimination or improvement of such condition is a proper matter of state policy and state concern and is for a valid and desirable public purpose.

(7) It is further found and declared that the prevention or elimination of a slum area or blighted area as defined in this part and the preservation or enhancement of the tax base are not public uses or purposes for which private property may be taken by eminent domain and do not satisfy the public purpose requirement of s. 6(a), Art. X of the State Constitution.

History.—s. 2, ch. 69-305; ss. 1, 22, ch. 84-356; s. 1, ch. 98-201; s. 6, ch. 2006-11.

163.340 Definitions.—The following terms, wherever used or referred to in this part, have the following meanings:

- (1) "Agency" or "community redevelopment agency" means a public agency created by, or designated pursuant to, s. 163.356 or s. 163.357.
- (2) "Public body" means the state or any county, municipality, authority, special district as defined in s. 165.031(7), or other public body of the state, except a school district.
- (3) "Governing body" means the council, commission, or other legislative body charged with governing the county or municipality.
- (4) "Mayor" means the mayor of a municipality or, for a county, the chair of the board of county commissioners or such other officer as may be constituted by law to act as the executive head of such municipality or county.
- (5) "Clerk" means the clerk or other official of the county or municipality who is the custodian of the official records of such county or municipality.
- (6) "Federal Government" includes the United States or any agency or instrumentality, corporate or otherwise, of the United States.
- (7) "Slum area" means an area having physical or economic conditions conducive to disease, infant mortality, juvenile delinquency, poverty, or crime because there is a predominance of buildings or improvements, whether residential or nonresidential, which are impaired by reason of dilapidation, deterioration, age, or obsolescence, and exhibiting one or more of the following factors:
 - (a) Inadequate provision for ventilation, light, air, sanitation, or open spaces;
 - (b) High density of population, compared to the population density of adjacent areas within the county or municipality; and overcrowding, as indicated by government-maintained statistics or other studies and the requirements of the Florida Building Code; or
 - (c) The existence of conditions that endanger life or property by fire or other causes.
- (8) "Blighted area" means an area in which there are a substantial number of deteriorated or deteriorating structures; in which conditions, as indicated by government-maintained statistics or other studies, endanger life or property or are leading to economic distress; and in which two or more of the following factors are present:
 - (a) Predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities.
 - (b) Aggregate assessed values of real property in the area for ad valorem tax purposes have failed to show any appreciable increase over the 5 years prior to the finding of such conditions.
 - (c) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness.
 - (d) Unsanitary or unsafe conditions.
 - (e) Deterioration of site or other improvements.
 - (f) Inadequate and outdated building density patterns.
 - (g) Falling lease rates per square foot of office, commercial, or industrial space compared to the remainder of the county or municipality.
 - (h) Tax or special assessment delinquency exceeding the fair value of the land.
 - (i) Residential and commercial vacancy rates higher in the area than in the remainder of the county or municipality.
 - (j) Incidence of crime in the area higher than in the remainder of the county or municipality.
 - (k) Fire and emergency medical service calls to the area proportionately higher than in the remainder of the county or municipality.
 - (l) A greater number of violations of the Florida Building Code in the area than the number of violations recorded in the remainder of the county or municipality.
 - (m) Diversity of ownership or defective or unusual conditions of title which prevent the free alienability of land within the deteriorated or hazardous area.
 - (n) Governmentally owned property with adverse environmental conditions caused by a public or private entity.

(o) A substantial number or percentage of properties damaged by sinkhole activity which have not been adequately repaired or stabilized.

However, the term "blighted area" also means any area in which at least one of the factors identified in paragraphs (a) through (o) is present and all taxing authorities subject to s. 163.387(2)(a) agree, either by interlocal agreement with the agency or by resolution, that the area is blighted. Such agreement or resolution must be limited to a determination that the area is blighted. For purposes of qualifying for the tax credits authorized in chapter 220, "blighted area" means an area as defined in this subsection.

(9) "Community redevelopment" or "redevelopment" means undertakings, activities, or projects of a county, municipality, or community redevelopment agency in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, or for the reduction or prevention of crime, or for the provision of affordable housing, whether for rent or for sale, to residents of low or moderate income, including the elderly, and may include slum clearance and redevelopment in a community redevelopment area or rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed, or rehabilitation or conservation in a community redevelopment area, or any combination or part thereof, in accordance with a community redevelopment plan and may include the preparation of such a plan.

(10) "Community redevelopment area" means a slum area, a blighted area, or an area in which there is a shortage of housing that is affordable to residents of low or moderate income, including the elderly, or a coastal and tourist area that is deteriorating and economically distressed due to outdated building density patterns, inadequate transportation and parking facilities, faulty lot layout or inadequate street layout, or a combination thereof which the governing body designates as appropriate for community redevelopment. For community redevelopment agencies created after July 1, 2006, a community redevelopment area may not consist of more than 80 percent of a municipality.

(11) "Community redevelopment plan" means a plan, as it exists from time to time, for a community redevelopment area.

(12) "Related activities" means:

(a) Planning work for the preparation of a general neighborhood redevelopment plan or for the preparation or completion of a communitywide plan or program pursuant to s. 163.365.

(b) The functions related to the acquisition and disposal of real property pursuant to s. 163.370(4).

(c) The development of affordable housing for residents of the area.

(d) The development of community policing innovations.

(13) "Real property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto or used in connection therewith and every estate, interest, right, and use, legal or equitable, therein, including but not limited to terms for years and liens by way of judgment, mortgage, or otherwise.

(14) "Bonds" means any bonds (including refunding bonds), notes, interim certificates, certificates of indebtedness, debentures, or other obligations.

(15) "Obligee" means and includes any bondholder, agents or trustees for any bondholders, or lessor demising to the county or municipality property used in connection with community redevelopment, or any assignee or assignees of such lessor's interest or any part thereof, and the Federal Government when it is a party to any contract with the county or municipality.

(16) "Person" means any individual, firm, partnership, corporation, company, association, joint stock association, or body politic and includes any trustee, receiver, assignee, or other person acting in a similar representative capacity.

(17) "Area of operation" means, for a county, the area within the boundaries of the county, and for a municipality, the area within the corporate limits of the municipality.

(18) "Housing authority" means a housing authority created by and established pursuant to chapter 421.

(19) "Board" or "commission" means a board, commission, department, division, office, body or other unit of the county or municipality.

(20) "Public officer" means any officer who is in charge of any department or branch of the government of the county or municipality relating to health, fire, building regulations, or other activities concerning dwellings in the county or municipality.

(21) "Debt service millage" means any millage levied pursuant to s. 12, Art. VII of the State Constitution.

(22) "Increment revenue" means the amount calculated pursuant to s. 163.387(1).

(23) "Community policing innovation" means a policing technique or strategy designed to reduce crime by reducing opportunities for, and increasing the perceived risks of engaging in, criminal activity through visible presence of police in the community, including, but not limited to, community mobilization, neighborhood block watch, citizen patrol, citizen contact patrol, foot patrol, neighborhood storefront police stations, field interrogation, or intensified motorized patrol.

(24) "Taxing authority" means a public body that levies or is authorized to levy an ad valorem tax on real property located in a community redevelopment area.

History.—s. 3, ch. 69-305; s. 1, ch. 77-391; s. 1, ch. 81-44; s. 3, ch. 83-231; ss. 2, 22, ch. 84-356; s. 83, ch. 85-180; s. 72, ch. 87-243; s. 33, ch. 91-45; s. 1, ch. 93-286; s. 1, ch. 94-236; s. 1447, ch. 95-147; s. 2, ch. 98-201; s. 1, ch. 98-314; s. 2, ch. 2002-294; s. 7, ch. 2006-11; s. 1, ch. 2006-307; s. 20, ch. 2013-15; s. 7, ch. 2015-30.

163.345 Encouragement of private enterprise.—

(1) Any county or municipality, to the greatest extent it determines to be feasible in carrying out the provisions of this part, shall afford maximum opportunity, consistent with the sound needs of the county or municipality as a whole, to the rehabilitation or redevelopment of the community redevelopment area by private enterprise. Any county or municipality shall give consideration to this objective in exercising its powers under this part, including the formulation of a workable program; the approval of community redevelopment plans, communitywide plans or programs for community redevelopment, and general neighborhood redevelopment plans (consistent with the general plan of the county or municipality); the development and implementation of community policing innovations; the exercise of its zoning powers; the enforcement of other laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements; the development of affordable housing; the disposition of any property acquired, subject to the limitations of s. 73.013; and the provision of necessary public improvements.

(2) In giving consideration to the objectives outlined in subsection (1), the county or municipality shall consider making available the incentives provided under the Florida Enterprise Zone Act and chapter 420.

History.—s. 4, ch. 69-305; s. 4, ch. 83-231; s. 2, ch. 94-236; s. 2, ch. 98-314; s. 26, ch. 2001-60; s. 12, ch. 2005-287; s. 8, ch. 2006-11.

163.346 Notice to taxing authorities.—Before the governing body adopts any resolution or enacts any ordinance required under s. 163.355, s. 163.356, s. 163.357, or s. 163.387; creates a community redevelopment agency; approves, adopts, or amends a community redevelopment plan; or issues redevelopment revenue bonds under s. 163.385, the governing body must provide public notice of such proposed action pursuant to s. 125.66(2) or s. 166.041(3)(a) and, at least 15 days before such proposed action, mail by registered mail a notice to each taxing authority which levies ad valorem taxes on taxable real property contained within the geographic boundaries of the redevelopment area.

History.—s. 8, ch. 84-356; s. 2, ch. 93-286; s. 13, ch. 95-310.

163.350 Workable program.—Any county or municipality for the purposes of this part may formulate for the county or municipality a workable program for utilizing appropriate private and public resources to eliminate and prevent the development or spread of slums and urban blight, to encourage needed community rehabilitation, to provide for the redevelopment of slum and blighted areas, to provide housing affordable to residents of low or moderate income, including the elderly, or to undertake such of the aforesaid activities or other feasible county or municipal activities as may be suitably employed to achieve the objectives of such workable program. Such workable program may include provision for the prevention of the spread of blight into areas of the county or municipality which are free from blight through diligent enforcement of housing, zoning, and occupancy controls and standards; the rehabilitation or conservation of slum and blighted areas or portions thereof by replanning, removing congestion, providing parks, playgrounds, and other public improvements, encouraging voluntary rehabilitation, and compelling the repair and rehabilitation of deteriorated or deteriorating structures; the development of affordable housing; the implementation of community policing innovations; and the clearance and redevelopment of slum and blighted areas or portions thereof.

History.—s. 5, ch. 69-305; s. 3, ch. 84-356; s. 3, ch. 94-236; s. 3, ch. 98-314.

163.353 Power of taxing authority to tax or appropriate funds to a redevelopment trust fund in order to preserve and enhance the tax base of the authority.—Notwithstanding any other provision of general or special law, the purposes for which a taxing authority may levy taxes or appropriate funds to a redevelopment trust fund include the preservation and enhancement of the tax base of such taxing authority and the furthering of the purposes of such taxing authority as provided by law.

History.—s. 21, ch. 84-356.

163.355 Finding of necessity by county or municipality.—No county or municipality shall exercise the community redevelopment authority conferred by this part until after the governing body has adopted a resolution, supported by data and analysis, which makes a legislative finding that the conditions in the area meet the criteria described in s.

163.340(7) or (8). The resolution must state that:

(1) One or more slum or blighted areas, or one or more areas in which there is a shortage of housing affordable to residents of low or moderate income, including the elderly, exist in such county or municipality; and

(2) The rehabilitation, conservation, or redevelopment, or a combination thereof, of such area or areas, including, if appropriate, the development of housing which residents of low or moderate income, including the elderly, can afford, is necessary in the interest of the public health, safety, morals, or welfare of the residents of such county or municipality.

History.—s. 6, ch. 69-305; s. 4, ch. 84-356; s. 4, ch. 94-236; s. 3, ch. 2002-294.

163.356 Creation of community redevelopment agency.—

(1) Upon a finding of necessity as set forth in s. 163.355, and upon a further finding that there is a need for a community redevelopment agency to function in the county or municipality to carry out the community redevelopment purposes of this part, any county or municipality may create a public body corporate and politic to be known as a “community redevelopment agency.” A charter county having a population less than or equal to 1.6 million may create, by a vote of at least a majority plus one of the entire governing body of the charter county, more than one community redevelopment agency. Each such agency shall be constituted as a public instrumentality, and the exercise by a community redevelopment agency of the powers conferred by this part shall be deemed and held to be the performance of an essential public function. Community redevelopment agencies of a county have the power to function within the corporate limits of a municipality only as, if,

and when the governing body of the municipality has by resolution concurred in the community redevelopment plan or plans proposed by the governing body of the county.

(2) When the governing body adopts a resolution declaring the need for a community redevelopment agency, that body shall, by ordinance, appoint a board of commissioners of the community redevelopment agency, which shall consist of not fewer than five or more than nine commissioners. The terms of office of the commissioners shall be for 4 years, except that three of the members first appointed shall be designated to serve terms of 1, 2, and 3 years, respectively, from the date of their appointments, and all other members shall be designated to serve for terms of 4 years from the date of their appointments. A vacancy occurring during a term shall be filled for the unexpired term. As provided in an interlocal agreement between the governing body that created the agency and one or more taxing authorities, one or more members of the board of commissioners of the agency may be representatives of a taxing authority, including members of that taxing authority's governing body, whose membership on the board of commissioners of the agency would be considered an additional duty of office as a member of the taxing authority governing body.

(3)(a) A commissioner shall receive no compensation for services, but is entitled to the necessary expenses, including travel expenses, incurred in the discharge of duties. Each commissioner shall hold office until his or her successor has been appointed and has qualified. A certificate of the appointment or reappointment of any commissioner shall be filed with the clerk of the county or municipality, and such certificate is conclusive evidence of the due and proper appointment of such commissioner.

(b) The powers of a community redevelopment agency shall be exercised by the commissioners thereof. A majority of the commissioners constitutes a quorum for the purpose of conducting business and exercising the powers of the agency and for all other purposes. Action may be taken by the agency upon a vote of a majority of the commissioners present, unless in any case the bylaws require a larger number. Any person may be appointed as commissioner if he or she resides or is engaged in business, which means owning a business, practicing a profession, or performing a service for compensation, or serving as an officer or director of a corporation or other business entity so engaged, within the area of operation of the agency, which shall be coterminous with the area of operation of the county or municipality, and is otherwise eligible for such appointment under this part.

(c) The governing body of the county or municipality shall designate a chair and vice chair from among the commissioners. An agency may employ an executive director, technical experts, and such other agents and employees, permanent and temporary, as it requires, and determine their qualifications, duties, and compensation. For such legal service as it requires, an agency may employ or retain its own counsel and legal staff. An agency authorized to transact business and exercise powers under this part shall file with the governing body, on or before March 31 of each year, a report of its activities for the preceding fiscal year, which report shall include a complete financial statement setting forth its assets, liabilities, income, and operating expenses as of the end of such fiscal year. At the time of filing the report, the agency shall publish in a newspaper of general circulation in the community a notice to the effect that such report has been filed with the county or municipality and that the report is available for inspection during business hours in the office of the clerk of the city or county commission and in the office of the agency.

(d) At any time after the creation of a community redevelopment agency, the governing body of the county or municipality may appropriate to the agency such amounts as the governing body deems necessary for the administrative expenses and overhead of the agency, including the development and implementation of community policing innovations.

(4) The governing body may remove a commissioner for inefficiency, neglect of duty, or misconduct in office only after a hearing and only if he or she has been given a copy of the charges at least 10 days prior to such hearing and has had an opportunity to be heard in person or by counsel.

History.—s. 2, ch. 77-391; s. 1, ch. 83-231; s. 6, ch. 84-356; s. 903, ch. 95-147; s. 4, ch. 98-314; s. 41, ch. 2001-266; s. 4, ch. 2002-294; s. 2, ch. 2006-307.

163.357 Governing body as the community redevelopment agency.—

(1)(a) As an alternative to the appointment of not fewer than five or more than seven members of the agency, the governing body may, at the time of the adoption of a resolution under s. 163.355, or at any time thereafter by adoption of a resolution, declare itself to be an agency, in which case all the rights, powers, duties, privileges, and immunities vested by this part in an agency will be vested in the governing body of the county or municipality, subject to all responsibilities and liabilities imposed or incurred.

(b) The members of the governing body shall be the members of the agency, but such members constitute the head of a legal entity, separate, distinct, and independent from the governing body of the county or municipality. If the governing body declares itself to be an agency which already exists, the new agency is subject to all of the responsibilities and liabilities imposed or incurred by the existing agency.

(c) A governing body which consists of five members may appoint two additional persons to act as members of the community redevelopment agency. The terms of office of the additional members shall be for 4 years, except that the first person appointed shall initially serve a term of 2 years. Persons appointed under this section are subject to all provisions of this part relating to appointed members of a community redevelopment agency.

(d) As provided in an interlocal agreement between the governing body that created the agency and one or more taxing authorities, one or more members of the board of commissioners of the agency may be representatives of a taxing authority, including members of that taxing authority's governing body, whose membership on the board of commissioners of the agency would be considered an additional duty of office as a member of the taxing authority governing body.

(2) Nothing in this part prevents the governing body from conferring the rights, powers, privileges, duties, and immunities of a community redevelopment agency upon any entity in existence on July 1, 1977, which has been authorized by law to function as a downtown development board or authority or as any other body the purpose of which is to prevent and eliminate slums and blight through community redevelopment plans. Any entity in existence on July 1, 1977, which has been vested with the rights, powers, privileges, duties, and immunities of a community redevelopment agency is subject to all provisions and responsibilities imposed by this part, notwithstanding any provisions to the contrary in any law or amendment thereto which established the entity. Nothing in this act shall be construed to impair or diminish any powers of any redevelopment agency or other entity as referred to herein in existence on the effective date of this act or to repeal, modify, or amend any law establishing such entity, except as specifically set forth herein.

History.—s. 2, ch. 77-391; s. 75, ch. 79-400; s. 2, ch. 83-231; s. 5, ch. 84-356; s. 3, ch. 2006-307.

163.358 Exercise of powers in carrying out community redevelopment and related activities.—Each county and municipality has all powers necessary or convenient to carry out and effectuate the purposes and provisions of this part, including those powers granted under s. 163.370. A county or municipality may delegate such powers to a community redevelopment agency created under s. 163.356, except the following, which continue to vest in the governing body of the county or municipality:

(1) The power to determine an area to be a slum or blighted area, or combination thereof; to designate such area as appropriate for community redevelopment; and to hold any public hearings required with respect thereto.

(2) The power to grant final approval to community redevelopment plans and modifications thereof.

(3) The power to authorize the issuance of revenue bonds as set forth in s. 163.385.

(4) The power to approve the acquisition, demolition, removal, or disposal of property as provided in s. 163.370(4) and the power to assume the responsibility to bear loss as provided in s. 163.370(4).

(5) The power to approve the development of community policing innovations.

(6) The power of eminent domain.

History.—s. 2, ch. 77-391; s. 70, ch. 81-259; s. 7, ch. 84-356; s. 34, ch. 91-45; s. 5, ch. 98-314; s. 9, ch. 2006-11.

163.360 Community redevelopment plans.—

(1) Community redevelopment in a community redevelopment area shall not be planned or initiated unless the governing body has, by resolution, determined such area to be a slum area, a blighted area, or an area in which there is a shortage of housing affordable to residents of low or moderate income, including the elderly, or a combination thereof, and designated such area as appropriate for community redevelopment.

(2) The community redevelopment plan shall:

(a) Conform to the comprehensive plan for the county or municipality as prepared by the local planning agency under the Community Planning Act.

(b) Be sufficiently complete to indicate such land acquisition, demolition and removal of structures, redevelopment, improvements, and rehabilitation as may be proposed to be carried out in the community redevelopment area; zoning and planning changes, if any; land uses; maximum densities; and building requirements.

(c) Provide for the development of affordable housing in the area, or state the reasons for not addressing in the plan the development of affordable housing in the area. The county, municipality, or community redevelopment agency shall coordinate with each housing authority or other affordable housing entities functioning within the geographic boundaries of the redevelopment area, concerning the development of affordable housing in the area.

(3) The community redevelopment plan may provide for the development and implementation of community policing innovations.

(4) The county, municipality, or community redevelopment agency may itself prepare or cause to be prepared a community redevelopment plan, or any person or agency, public or private, may submit such a plan to a community redevelopment agency. Prior to its consideration of a community redevelopment plan, the community redevelopment agency shall submit such plan to the local planning agency of the county or municipality for review and recommendations as to its conformity with the comprehensive plan for the development of the county or municipality as a whole. The local planning agency shall submit its written recommendations with respect to the conformity of the proposed community redevelopment plan to the community redevelopment agency within 60 days after receipt of the plan for review. Upon receipt of the recommendations of the local planning agency, or, if no recommendations are received within such 60 days, then without such recommendations, the community redevelopment agency may proceed with its consideration of the proposed community redevelopment plan.

(5) The community redevelopment agency shall submit any community redevelopment plan it recommends for approval, together with its written recommendations, to the governing body and to each taxing authority that levies ad valorem taxes on taxable real property contained within the geographic boundaries of the redevelopment area. The governing body shall then proceed with the hearing on the proposed community redevelopment plan as prescribed by subsection (6).

(6)(a) The governing body shall hold a public hearing on a community redevelopment plan after public notice thereof by publication in a newspaper having a general circulation in the area of operation of the county or municipality. The notice shall describe the time, date, place, and purpose of the hearing, identify generally the community redevelopment area covered by the plan, and outline the general scope of the community redevelopment plan under consideration.

(b) For any governing body that has not authorized by June 5, 2006, a study to consider whether a finding of necessity resolution pursuant to s. 163.355 should be adopted, has not adopted a finding of necessity resolution pursuant to s. 163.355 by March 31, 2007, has not adopted a community redevelopment plan by June 7, 2007, and was not authorized to exercise community redevelopment powers pursuant to a delegation of authority under s. 163.410 by a county that has adopted a home rule charter, the following additional procedures are required prior to adoption by the governing body of a community redevelopment plan under subsection (7):

1. Within 30 days after receipt of any community redevelopment plan recommended by a community redevelopment agency under subsection (5), the county may provide written notice by registered mail to the governing body of the municipality and to the community redevelopment agency that the county has competing policy goals and plans for the public funds the county would be required to deposit to the community redevelopment trust fund under the proposed community redevelopment plan.

2. If the notice required in subparagraph 1. is timely provided, the governing body of the county and the governing body of the municipality that created the community redevelopment agency shall schedule and hold a joint hearing co-chaired by the chair of the governing body of the county and the mayor of the municipality, with the agenda to be set by the chair of the governing body of the county, at which the competing policy goals for the public funds shall be discussed. For those community redevelopment agencies for which the board of commissioners of the community redevelopment agency are comprised as specified in s. 163.356(2), a designee of the community redevelopment agency shall participate in the joint meeting as a nonvoting member. Any such hearing must be held within 90 days after receipt by the county of the recommended community redevelopment plan. Prior to the joint public hearing, the county may propose an alternative redevelopment plan that meets the requirements of this section to address the conditions identified in the resolution making a finding of necessity required by s. 163.355. If such an alternative redevelopment plan is proposed by the county, such plan shall be delivered to the governing body of the municipality that created the community redevelopment agency and to the executive director or other officer of the community redevelopment agency by registered mail at least 30 days prior to holding the joint meeting.

3. If the notice required in subparagraph 1. is timely provided, the municipality may not proceed with the adoption of the plan under subsection (7) until 30 days after the joint hearing unless the governing body of the county has failed to schedule or a majority of the members of the governing body of the county have failed to attend the joint hearing within the required 90-day period.

4. Notwithstanding the time requirements established in subparagraphs 2. and 3., the county and the municipality may at any time voluntarily use the dispute resolution process established in chapter 164 to attempt to resolve any competing policy goals between the county and municipality related to the community redevelopment agency. Nothing in this subparagraph grants the county or the municipality the authority to require the other local government to participate in the dispute resolution process.

(7) Following such hearing, the governing body may approve the community redevelopment and the plan therefor if it finds that:

(a) A feasible method exists for the location of families who will be displaced from the community redevelopment area in decent, safe, and sanitary dwelling accommodations within their means and without undue hardship to such families;

(b) The community redevelopment plan conforms to the general plan of the county or municipality as a whole;

(c) The community redevelopment plan gives due consideration to the utilization of community policing innovations, and to the provision of adequate park and recreational areas and facilities that may be desirable for neighborhood improvement, with special

consideration for the health, safety, and welfare of children residing in the general vicinity of the site covered by the plans;

(d) The community redevelopment plan will afford maximum opportunity, consistent with the sound needs of the county or municipality as a whole, for the rehabilitation or redevelopment of the community redevelopment area by private enterprise; and

(e) The community redevelopment plan and resulting revitalization and redevelopment for a coastal tourist area that is deteriorating and economically distressed will reduce or maintain evacuation time, as appropriate, and ensure protection for property against exposure to natural disasters.

(8) If the community redevelopment area consists of an area of open land to be acquired by the county or the municipality, such area may not be so acquired unless:

(a) In the event the area is to be developed in whole or in part for residential uses, the governing body determines:

1. That a shortage of housing of sound standards and design which is decent, safe, affordable to residents of low or moderate income, including the elderly, and sanitary exists in the county or municipality;
2. That the need for housing accommodations has increased in the area;
3. That the conditions of blight in the area or the shortage of decent, safe, affordable, and sanitary housing cause or contribute to an increase in and spread of disease and crime or constitute a menace to the public health, safety, morals, or welfare; and
4. That the acquisition of the area for residential uses is an integral part of and is essential to the program of the county or municipality.

(b) In the event the area is to be developed in whole or in part for nonresidential uses, the governing body determines that:

1. Such nonresidential uses are necessary and appropriate to facilitate the proper growth and development of the community in accordance with sound planning standards and local community objectives.
2. Acquisition may require the exercise of governmental action, as provided in this part, because of:
 - a. Defective, or unusual conditions of, title or diversity of ownership which prevents the free alienability of such land;
 - b. Tax delinquency;
 - c. Improper subdivisions;
 - d. Outmoded street patterns;
 - e. Deterioration of site;
 - f. Economic disuse;
 - g. Unsuitable topography or faulty lot layouts;
 - h. Lack of correlation of the area with other areas of a county or municipality by streets and modern traffic requirements; or
 - i. Any combination of such factors or other conditions which retard development of the area.
3. Conditions of blight in the area contribute to an increase in and spread of disease and crime or constitute a menace to public health, safety, morals, or welfare.

(9) Upon the approval by the governing body of a community redevelopment plan or of any modification thereof, such plan or modification shall be deemed to be in full force and effect for the respective community redevelopment area, and the county or municipality may then cause the community redevelopment agency to carry out such plan or modification in accordance with its terms.

(10) Notwithstanding any other provisions of this part, when the governing body certifies that an area is in need of redevelopment or rehabilitation as a result of an emergency under s. 252.34(4), with respect to which the Governor has certified the need for emergency assistance under federal law, that area may be certified as a "blighted area," and the governing body may approve a community redevelopment plan and community

redevelopment with respect to such area without regard to the provisions of this section requiring a general plan for the county or municipality and a public hearing on the community redevelopment.

History.—s. 7, ch. 69-305; s. 3, ch. 77-391; s. 5, ch. 83-231; s. 6, ch. 83-334; s. 9, ch. 84-356; s. 26, ch. 85-55; s. 3, ch. 93-286; s. 5, ch. 94-236; s. 3, ch. 98-201; s. 6, ch. 98-314; s. 63, ch. 99-2; s. 4, ch. 2006-307; s. 33, ch. 2011-139; s. 3, ch. 2016-198.

163.361 Modification of community redevelopment plans.—

(1) If at any time after the approval of a community redevelopment plan by the governing body it becomes necessary or desirable to amend or modify such plan, the governing body may amend such plan upon the recommendation of the agency. The agency recommendation to amend or modify a redevelopment plan may include a change in the boundaries of the redevelopment area to add land to or exclude land from the redevelopment area, or may include the development and implementation of community policing innovations.

(2) The governing body shall hold a public hearing on a proposed modification of any community redevelopment plan after public notice thereof by publication in a newspaper having a general circulation in the area of operation of the agency.

(3)(a) In addition to the requirements of s. 163.346, and prior to the adoption of any modification to a community redevelopment plan that expands the boundaries of the community redevelopment area or extends the time certain set forth in the redevelopment plan as required by s. 163.362(10), the agency shall report such proposed modification to each taxing authority in writing or by an oral presentation, or both, regarding such proposed modification.

(b) For any community redevelopment agency that was not created pursuant to a delegation of authority under s. 163.410 by a county that has adopted a home rule charter and that modifies its adopted community redevelopment plan in a manner that expands the boundaries of the redevelopment area after October 1, 2006, the following additional procedures are required prior to adoption by the governing body of a modified community redevelopment plan:

1. Within 30 days after receipt of any report of a proposed modification that expands the boundaries of the redevelopment area, the county may provide notice by registered mail to the governing body of the municipality and the community redevelopment agency that the county has competing policy goals and plans for the public funds the county would be required to deposit to the community redevelopment trust fund under the proposed modification to the community redevelopment plan.

2. If the notice required in subparagraph 1. is timely provided, the governing body of the county and the governing body of the municipality that created the community redevelopment agency shall schedule and hold a joint hearing co-chaired by the chair of the governing body of the county and the mayor of the municipality, with the agenda to be set by the chair of the governing body of the county, at which the competing policy goals for the public funds shall be discussed. For those community redevelopment agencies for which the board of commissioners of the community redevelopment agency are comprised as specified in s. 163.356(2), a designee of the community redevelopment agency shall participate in the joint meeting as a nonvoting member. Any such hearing shall be held within 90 days after receipt by the county of the recommended modification of the adopted community redevelopment plan. Prior to the joint public hearing, the county may propose an alternative modified community redevelopment plan that meets the requirements of s. 163.360 to address the conditions identified in the resolution making a finding of necessity required under s. 163.355. If such an alternative modified redevelopment plan is proposed by the county, such plan shall be delivered to the governing body of the municipality that created the community redevelopment agency and the executive director or other officer of

the community redevelopment agency by registered mail at least 30 days prior to holding the joint meeting.

3. If the notice required in subparagraph 1. is timely provided, the municipality may not proceed with the adoption of a modified plan until 30 days after the joint hearing unless the governing body of the county has failed to schedule or a majority of the members of the governing body of the county have failed to attend the joint hearing within the required 90-day period.

4. Notwithstanding the time requirements established in subparagraphs 2. and 3., the county and the municipality may at any time voluntarily use the dispute resolution process established in chapter 164 to attempt to resolve any competing policy goals between the county and municipality related to the community redevelopment agency. Nothing in this subparagraph grants the county or the municipality the authority to require the other local government to participate in the dispute resolution process.

(4) A modification to a community redevelopment plan that includes a change in the boundaries of the redevelopment area to add land must be supported by a resolution as provided in s. 163.355.

(5) If a community redevelopment plan is modified by the county or municipality after the lease or sale of real property in the community redevelopment area, such modification may be conditioned upon such approval of the owner, lessee, or successor in interest as the county or municipality may deem advisable and, in any event, shall be subject to such rights at law or in equity as a lessee or purchaser, or his or her successor or successors in interest, may be entitled to assert.

History.—s. 4, ch. 77-391; s. 6, ch. 83-231; s. 904, ch. 95-147; s. 7, ch. 98-314; s. 5, ch. 2002-294; s. 5, ch. 2006-307.

163.362 Contents of community redevelopment plan.—Every community redevelopment plan shall:

(1) Contain a legal description of the boundaries of the community redevelopment area and the reasons for establishing such boundaries shown in the plan.

(2) Show by diagram and in general terms:

(a) The approximate amount of open space to be provided and the street layout.

(b) Limitations on the type, size, height, number, and proposed use of buildings.

(c) The approximate number of dwelling units.

(d) Such property as is intended for use as public parks, recreation areas, streets, public utilities, and public improvements of any nature.

(3) If the redevelopment area contains low or moderate income housing, contain a neighborhood impact element which describes in detail the impact of the redevelopment upon the residents of the redevelopment area and the surrounding areas in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population, and other matters affecting the physical and social quality of the neighborhood.

(4) Identify specifically any publicly funded capital projects to be undertaken within the community redevelopment area.

(5) Contain adequate safeguards that the work of redevelopment will be carried out pursuant to the plan.

(6) Provide for the retention of controls and the establishment of any restrictions or covenants running with land sold or leased for private use for such periods of time and under such conditions as the governing body deems necessary to effectuate the purposes of this part.

(7) Provide assurances that there will be replacement housing for the relocation of persons temporarily or permanently displaced from housing facilities within the community redevelopment area.

(8) Provide an element of residential use in the redevelopment area if such use exists in the area prior to the adoption of the plan or if the plan is intended to remedy a shortage of housing affordable to residents of low or moderate income, including the elderly, or if the plan is not intended to remedy such shortage, the reasons therefor.

(9) Contain a detailed statement of the projected costs of the redevelopment, including the amount to be expended on publicly funded capital projects in the community redevelopment area and any indebtedness of the community redevelopment agency, the county, or the municipality proposed to be incurred for such redevelopment if such indebtedness is to be repaid with increment revenues.

(10) Provide a time certain for completing all redevelopment financed by increment revenues. Such time certain shall occur no later than 30 years after the fiscal year in which the plan is approved, adopted, or amended pursuant to s. 163.361(1). However, for any agency created after July 1, 2002, the time certain for completing all redevelopment financed by increment revenues must occur within 40 years after the fiscal year in which the plan is approved or adopted.

(11) Subsections (1), (3), (4), and (8), as amended by s. 10, chapter 84-356, Laws of Florida, and subsections (9) and (10) do not apply to any governing body of a county or municipality or to a community redevelopment agency if such governing body has approved and adopted a community redevelopment plan pursuant to s. 163.360 before chapter 84-356 became a law; nor do they apply to any governing body of a county or municipality or to a community redevelopment agency if such governing body or agency has adopted an ordinance or resolution authorizing the issuance of any bonds, notes, or other forms of indebtedness to which is pledged increment revenues pursuant only to a community redevelopment plan as approved and adopted before chapter 84-356 became a law.

History.—s. 5, ch. 77-391; s. 7, ch. 83-231; ss. 10, 22, ch. 84-356; s. 5, ch. 93-286; s. 6, ch. 94-236; s. 6, ch. 2002-294.

163.365 Neighborhood and communitywide plans.—

(1) Any municipality or county or any public body authorized to perform planning work may prepare a general neighborhood redevelopment plan for a community redevelopment area or areas, together with any adjoining areas having specially related problems, which may be of such scope that redevelopment activities may have to be carried out in stages. Such plans may include, but not be limited to, a preliminary plan which:

- (a) Outlines the community redevelopment activities proposed for the area involved;
- (b) Provides a framework for the preparation of community redevelopment plans; and
- (c) Indicates generally the land uses, population density, building coverage, prospective requirements for rehabilitation and improvement of property and portions of the area contemplated for clearance and redevelopment.

A general neighborhood redevelopment plan shall, in the determination of the governing body, conform to the general plan of the locality as a whole and the workable program of the county or municipality.

(2) Any county or municipality or any public body authorized to perform planning work may prepare or complete a communitywide plan or program for community redevelopment which shall conform to the general plan for the development of the county or municipality as a whole and may include, but not be limited to, identification of slum or blighted areas, measurement of blight, determination of resources needed and available to renew such areas, identification of potential project areas and types of action contemplated, including the development of affordable housing if needed and appropriate for the area, and scheduling of community redevelopment activities.

(3) Authority is hereby vested in every county and municipality to prepare, adopt, and revise from time to time a general plan for the physical development of the county or

municipality as a whole (giving due regard to the environs and metropolitan surroundings), to establish and maintain a planning commission for such purpose and related county or municipal planning activities, and to make available and to appropriate necessary funds therefor.

History.—s. 8, ch. 69-305; s. 7, ch. 94-236.

163.367 Public officials, commissioners, and employees subject to code of ethics.—

(1) The officers, commissioners, and employees of a community redevelopment agency created by, or designated pursuant to, s. 163.356 or s. 163.357 shall be subject to the provisions and requirements of part III of chapter 112.

(2) If any such official, commissioner, or employee presently owns or controls, or owned or controlled within the preceding 2 years, any interest, direct or indirect, in any property which he or she knows is included or planned to be included in a community redevelopment area, he or she shall immediately disclose this fact in the manner provided in part III of chapter 112. Any disclosure required to be made by this section shall be made prior to taking any official action pursuant to this section.

(3) No commissioner or other officer of any community redevelopment agency, board, or commission exercising powers pursuant to this part shall hold any other public office under the county or municipality other than his or her commissionership or office with respect to such community redevelopment agency, board, or commission.

History.—s. 6, ch. 77-391; s. 76, ch. 79-400; s. 8, ch. 83-231; s. 905, ch. 95-147.

163.370 Powers; counties and municipalities; community redevelopment agencies.—

(1) Counties and municipalities may not exercise the power of eminent domain for the purpose of preventing or eliminating a slum area or blighted area as defined in this part; however, counties and municipalities may acquire property by eminent domain within a community redevelopment area, subject to the limitations set forth in ss. 73.013 and 73.014 or other general law.

(2) Every county and municipality shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this part, including the following powers in addition to others herein granted:

(a) To make and execute contracts and other instruments necessary or convenient to the exercise of its powers under this part.

(b) To disseminate slum clearance and community redevelopment information.

(c) To undertake and carry out community redevelopment and related activities within the community redevelopment area, which may include:

1. Acquisition of property within a slum area or a blighted area by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition.

2. Demolition and removal of buildings and improvements.

3. Installation, construction, or reconstruction of streets, utilities, parks, playgrounds, public areas of major hotels that are constructed in support of convention centers, including meeting rooms, banquet facilities, parking garages, lobbies, and passageways, and other improvements necessary for carrying out in the community redevelopment area the community redevelopment objectives of this part in accordance with the community redevelopment plan.

4. Disposition of any property acquired in the community redevelopment area at its fair value as provided in s. 163.380 for uses in accordance with the community redevelopment plan.

5. Carrying out plans for a program of voluntary or compulsory repair and rehabilitation of buildings or other improvements in accordance with the community redevelopment plan.

6. Acquisition by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition of real property in the community redevelopment area which, under the community redevelopment plan, is to be repaired or rehabilitated for dwelling use or

related facilities, repair or rehabilitation of the structures for guidance purposes, and resale of the property.

7. Acquisition by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition of any other real property in the community redevelopment area when necessary to eliminate unhealthful, unsanitary, or unsafe conditions; lessen density; eliminate obsolete or other uses detrimental to the public welfare; or otherwise to remove or prevent the spread of blight or deterioration or to provide land for needed public facilities.

8. Acquisition, without regard to any requirement that the area be a slum or blighted area, of air rights in an area consisting principally of land in highways, railway or subway tracks, bridge or tunnel entrances, or other similar facilities which have a blighting influence on the surrounding area and over which air rights sites are to be developed for the elimination of such blighting influences and for the provision of housing (and related facilities and uses) designed specifically for, and limited to, families and individuals of low or moderate income.

9. Acquisition by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition of property in unincorporated enclaves surrounded by the boundaries of a community redevelopment area when it is determined necessary by the agency to accomplish the community redevelopment plan.

10. Construction of foundations and platforms necessary for the provision of air rights sites of housing (and related facilities and uses) designed specifically for, and limited to, families and individuals of low or moderate income.

(d) To provide, or to arrange or contract for, the furnishing or repair by any person or agency, public or private, of services, privileges, works, streets, roads, public utilities, or other facilities for or in connection with a community redevelopment; to install, construct, and reconstruct streets, utilities, parks, playgrounds, and other public improvements; and to agree to any conditions that it deems reasonable and appropriate which are attached to federal financial assistance and imposed pursuant to federal law relating to the determination of prevailing salaries or wages or compliance with labor standards, in the undertaking or carrying out of a community redevelopment and related activities, and to include in any contract let in connection with such redevelopment and related activities provisions to fulfill such of the conditions as it deems reasonable and appropriate.

(e) Within the community redevelopment area:

1. To enter into any building or property in any community redevelopment area in order to make inspections, surveys, appraisals, soundings, or test borings and to obtain an order for this purpose from a court of competent jurisdiction in the event entry is denied or resisted.

2. To acquire by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition any personal or real property, together with any improvements thereon.

3. To hold, improve, clear, or prepare for redevelopment any such property.

4. To mortgage, pledge, hypothecate, or otherwise encumber or dispose of any real property.

5. To insure or provide for the insurance of any real or personal property or operations of the county or municipality against any risks or hazards, including the power to pay premiums on any such insurance.

6. To enter into any contracts necessary to effectuate the purposes of this part.

7. To solicit requests for proposals for redevelopment of parcels of real property contemplated by a community redevelopment plan to be acquired for redevelopment purposes by a community redevelopment agency and, as a result of such requests for proposals, to advertise for the disposition of such real property to private persons pursuant to s. 163.380 prior to acquisition of such real property by the community redevelopment agency.

(f) To invest any community redevelopment funds held in reserves or sinking funds or any such funds not required for immediate disbursement in property or securities in which savings banks may legally invest funds subject to their control and to redeem such bonds as

have been issued pursuant to s. 163.385 at the redemption price established therein or to purchase such bonds at less than redemption price, all such bonds so redeemed or purchased to be canceled.

(g) To borrow money and to apply for and accept advances, loans, grants, contributions, and any other form of financial assistance from the Federal Government or the state, county, or other public body or from any sources, public or private, for the purposes of this part and to give such security as may be required and to enter into and carry out contracts or agreements in connection therewith; and to include in any contract for financial assistance with the Federal Government for or with respect to community redevelopment and related activities such conditions imposed pursuant to federal laws as the county or municipality deems reasonable and appropriate which are not inconsistent with the purposes of this part.

(h) To make or have made all surveys and plans necessary to the carrying out of the purposes of this part; to contract with any person, public or private, in making and carrying out such plans; and to adopt or approve, modify, and amend such plans, which plans may include, but are not limited to:

1. Plans for carrying out a program of voluntary or compulsory repair and rehabilitation of buildings and improvements.

2. Plans for the enforcement of state and local laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements.

3. Appraisals, title searches, surveys, studies, and other plans and work necessary to prepare for the undertaking of community redevelopment and related activities.

- (i) To develop, test, and report methods and techniques, and carry out demonstrations and other activities, for the prevention and the elimination of slums and urban blight and developing and demonstrating new or improved means of providing housing for families and persons of low income.

- (j) To apply for, accept, and utilize grants of funds from the Federal Government for such purposes.

- (k) To prepare plans for and assist in the relocation of persons (including individuals, families, business concerns, nonprofit organizations, and others) displaced from a community redevelopment area and to make relocation payments to or with respect to such persons for moving expenses and losses of property for which reimbursement or compensation is not otherwise made, including the making of such payments financed by the Federal Government.

- (l) To appropriate such funds and make such expenditures as are necessary to carry out the purposes of this part; to zone or rezone any part of the county or municipality or make exceptions from building regulations; and to enter into agreements with a housing authority, which agreements may extend over any period, notwithstanding any provision or rule of law to the contrary, respecting action to be taken by such county or municipality pursuant to any of the powers granted by this part.

- (m) To close, vacate, plan, or replan streets, roads, sidewalks, ways, or other places and to plan or replan any part of the county or municipality.

- (n) To organize, coordinate, and direct the administration of the provisions of this part, as they may apply to such county or municipality, in order that the objective of remedying slum and blighted areas and preventing the causes thereof within such county or municipality may be most effectively promoted and achieved and to establish such new office or offices of the county or municipality or to reorganize existing offices in order to carry out such purpose most effectively.

- (o) To develop and implement community policing innovations.

- (3) The following projects may not be paid for or financed by increment revenues:

- (a) Construction or expansion of administrative buildings for public bodies or police and fire buildings, unless each taxing authority agrees to such method of financing for the

construction or expansion, or unless the construction or expansion is contemplated as part of a community policing innovation.

(b) Installation, construction, reconstruction, repair, or alteration of any publicly owned capital improvements or projects if such projects or improvements were scheduled to be installed, constructed, reconstructed, repaired, or altered within 3 years of the approval of the community redevelopment plan by the governing body pursuant to a previously approved public capital improvement or project schedule or plan of the governing body which approved the community redevelopment plan unless and until such projects or improvements have been removed from such schedule or plan of the governing body and 3 years have elapsed since such removal or such projects or improvements were identified in such schedule or plan to be funded, in whole or in part, with funds on deposit within the community redevelopment trust fund.

(c) General government operating expenses unrelated to the planning and carrying out of a community redevelopment plan.

(4) With the approval of the governing body, a community redevelopment agency may:

(a) Prior to approval of a community redevelopment plan or approval of any modifications of the plan, acquire real property in a community redevelopment area by purchase, lease, option, gift, grant, bequest, devise, or other voluntary method of acquisition; demolish and remove any structures on the property; and pay all costs related to the acquisition, demolition, or removal, including any administrative or relocation expenses.

(b) Assume the responsibility to bear any loss that may arise as the result of the exercise of authority under this subsection, in the event that the real property is not made part of the community redevelopment area.

History.—s. 9, ch. 69-305; s. 7, ch. 77-391; s. 11, ch. 84-356; s. 7, ch. 93-286; s. 8, ch. 94-236; s. 8, ch. 98-314; s. 10, ch. 2006-11; s. 6, ch. 2006-307; s. 9, ch. 2007-5.

163.380 Disposal of property in community redevelopment area.—The disposal of property in a community redevelopment area which is acquired by eminent domain is subject to the limitations set forth in s. 73.013.

(1) Any county, municipality, or community redevelopment agency may sell, lease, dispose of, or otherwise transfer real property or any interest therein acquired by it for community redevelopment in a community redevelopment area to any private person, or may retain such property for public use, and may enter into contracts with respect thereto for residential, recreational, commercial, industrial, educational, or other uses, in accordance with the community redevelopment plan, subject to such covenants, conditions, and restrictions, including covenants running with the land, as it deems necessary or desirable to assist in preventing the development or spread of future slums or blighted areas or to otherwise carry out the purposes of this part. However, such sale, lease, other transfer, or retention, and any agreement relating thereto, may be made only after the approval of the community redevelopment plan by the governing body. The purchasers or lessees and their successors and assigns shall be obligated to devote such real property only to the uses specified in the community redevelopment plan and may be obligated to comply with such other requirements as the county, municipality, or community redevelopment agency may determine to be in the public interest, including the obligation to begin any improvements on such real property required by the community redevelopment plan within a reasonable time.

(2) Such real property or interest shall be sold, leased, otherwise transferred, or retained at a value determined to be in the public interest for uses in accordance with the community redevelopment plan and in accordance with such reasonable disposal procedures as any county, municipality, or community redevelopment agency may prescribe. In determining the value of real property as being in the public interest for uses in accordance with the community redevelopment plan, the county, municipality, or community redevelopment agency shall take into account and give consideration to the long-term benefits to be

achieved by the county, municipality, or community redevelopment agency resulting from incurring short-term losses or costs in the disposal of such real property; the uses provided in such plan; the restrictions upon, and the covenants, conditions, and obligations assumed by, the purchaser or lessee or by the county, municipality, or community redevelopment agency retaining the property; and the objectives of such plan for the prevention of the recurrence of slum or blighted areas. In the event the value of such real property being disposed of is for less than the fair value, such disposition shall require the approval of the governing body, which approval may only be given following a duly noticed public hearing. The county, municipality, or community redevelopment agency may provide in any instrument of conveyance to a private purchaser or lessee that such purchaser or lessee is without power to sell, lease, or otherwise transfer the real property without the prior written consent of the county, municipality, or community redevelopment agency until the purchaser or lessee has completed the construction of any or all improvements which he or she has obligated himself or herself to construct thereon. Real property acquired by the county, municipality, or community redevelopment agency which, in accordance with the provisions of the community redevelopment plan, is to be transferred shall be transferred as rapidly as feasible in the public interest, consistent with the carrying out of the provisions of the community redevelopment plan. Any contract for such transfer and the community redevelopment plan, or such part or parts of such contract or plan as the county, municipality, or community redevelopment agency may determine, may be recorded in the land records of the clerk of the circuit court in such manner as to afford actual or constructive notice thereof.

(3)(a) Prior to disposition of any real property or interest therein in a community redevelopment area, any county, municipality, or community redevelopment agency shall give public notice of such disposition by publication in a newspaper having a general circulation in the community, at least 30 days prior to the execution of any contract to sell, lease, or otherwise transfer real property and, prior to the delivery of any instrument of conveyance with respect thereto under the provisions of this section, invite proposals from, and make all pertinent information available to, private redevelopers or any persons interested in undertaking to redevelop or rehabilitate a community redevelopment area or any part thereof. Such notice shall identify the area or portion thereof and shall state that proposals must be made by those interested within 30 days after the date of publication of the notice and that such further information as is available may be obtained at such office as is designated in the notice. The county, municipality, or community redevelopment agency shall consider all such redevelopment or rehabilitation proposals and the financial and legal ability of the persons making such proposals to carry them out; and the county, municipality, or community redevelopment agency may negotiate with any persons for proposals for the purchase, lease, or other transfer of any real property acquired by it in the community redevelopment area. The county, municipality, or community redevelopment agency may accept such proposal as it deems to be in the public interest and in furtherance of the purposes of this part. Except in the case of a governing body acting as the agency, as provided in s. 163.357, a notification of intention to accept such proposal must be filed with the governing body not less than 30 days prior to any such acceptance. Thereafter, the county, municipality, or community redevelopment agency may execute such contract in accordance with the provisions of subsection (1) and deliver deeds, leases, and other instruments and take all steps necessary to effectuate such contract.

(b) Any county, municipality, or community redevelopment agency that, pursuant to the provisions of this section, has disposed of a real property project with a land area in excess of 20 acres may acquire an expanded area that is immediately adjacent to the original project and less than 35 percent of the land area of the original project, by purchase as provided in this chapter, and negotiate a disposition of such expanded area directly with the person who acquired the original project without complying with the disposition procedures

established in paragraph (a), provided the county, municipality, or community redevelopment agency adopts a resolution making the following findings:

1. It is in the public interest to expand such real property project to an immediately adjacent area.
2. The expanded area is less than 35 percent of the land area of the original project.
3. The expanded area is entirely within the boundary of the community redevelopment area.

(4) Any county, municipality, or community redevelopment agency may temporarily operate and maintain real property acquired by it in a community redevelopment area for or in connection with a community redevelopment plan pending the disposition of the property as authorized in this part, without regard to the provisions of subsection (1), for such uses and purposes as may be deemed desirable, even though not in conformity with the community redevelopment plan.

(5) If any conflict exists between the provisions of this section and s. 159.61, the provisions of this section govern and supersede those of s. 159.61.

(6) Notwithstanding any provision of this section, if a community redevelopment area is established by the governing body for the redevelopment of property located on a closed military base within the governing body's boundaries, the procedures for disposition of real property within that community redevelopment area shall be prescribed by the governing body, and compliance with the other provisions of this section shall not be required prior to the disposal of real property.

History.—s. 11, ch. 69-305; s. 9, ch. 77-391; s. 13, ch. 84-356; s. 1, ch. 92-162; s. 906, ch. 95-147; s. 1, ch. 96-254; s. 9, ch. 98-314; s. 12, ch. 2006-11.

163.385 Issuance of revenue bonds.—

(1)(a) When authorized or approved by resolution or ordinance of the governing body, a county, municipality, or community redevelopment agency has power in its corporate capacity, in its discretion, to issue redevelopment revenue bonds from time to time to finance the undertaking of any community redevelopment under this part, including, without limiting the generality thereof, the payment of principal and interest upon any advances for surveys and plans or preliminary loans, and has power to issue refunding bonds for the payment or retirement of bonds or other obligations previously issued. For any agency created before July 1, 2002, any redevelopment revenue bonds or other obligations issued to finance the undertaking of any community redevelopment under this part shall mature within 60 years after the end of the fiscal year in which the initial community redevelopment plan was approved or adopted. For any agency created on or after July 1, 2002, any redevelopment revenue bonds or other obligations issued to finance the undertaking of any community redevelopment under this part shall mature within 40 years after the end of the fiscal year in which the initial community redevelopment plan is approved or adopted. However, in no event shall any redevelopment revenue bonds or other obligations issued to finance the undertaking of any community redevelopment under this part mature later than the expiration of the plan in effect at the time such bonds or obligations were issued. The security for such bonds may be based upon the anticipated assessed valuation of the completed community redevelopment and such other revenues as are legally available. Any bond, note, or other form of indebtedness pledging increment revenues to the repayment thereof shall mature no later than the end of the 30th fiscal year after the fiscal year in which increment revenues are first deposited into the redevelopment trust fund or the fiscal year in which the plan is subsequently amended. However, for any agency created on or after July 1, 2002, any form of indebtedness pledging increment revenues to the repayment thereof shall mature by the 40th year after the fiscal year in which the initial community redevelopment plan is approved or adopted. However, any refunding bonds issued pursuant to this paragraph may not mature later than the final maturity date of any bonds or other

obligations issued pursuant to this paragraph being paid or retired with the proceeds of such refunding bonds.

(b) In anticipation of the sale of revenue bonds pursuant to paragraph (a), the county, municipality, or community redevelopment agency may issue bond anticipation notes and may renew such notes from time to time, but the maximum maturity of any such note, including renewals thereof, may not exceed 5 years from the date of issue of the original note. Such notes shall be paid from any revenues of the county, municipality, or community redevelopment agency available therefor and not otherwise pledged or from the proceeds of sale of the revenue bonds in anticipation of which they were issued.

(2) Bonds issued under this section do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and are not subject to the provisions of any other law or charter relating to the authorization, issuance, or sale of bonds. Bonds issued under the provisions of this part are declared to be issued for an essential public and governmental purpose and, together with interest thereon and income therefrom, are exempted from all taxes, except those taxes imposed by chapter 220 on interest, income, or profits on debt obligations owned by corporations.

(3) Bonds issued under this section shall be authorized by resolution or ordinance of the governing body; may be issued in one or more series; and shall bear such date or dates, be payable upon demand or mature at such time or times, bear interest at such rate or rates, be in such denomination or denominations, be in such form either with or without coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in such medium of payment at such place or places, be subject to such terms of redemption (with or without premium), be secured in such manner, and have such other characteristics as may be provided by such resolution or ordinance or by a trust indenture or mortgage issued pursuant thereto. Bonds issued under this section may be sold in such manner, either at public or private sale, and for such price as the governing body may determine will effectuate the purpose of this part.

(4) In case any of the public officials of the county, municipality, or community redevelopment agency whose signatures appear on any bonds or coupons issued under this part cease to be such officials before the delivery of such bonds, such signatures are, nevertheless, valid and sufficient for all purposes, the same as if such officials had remained in office until such delivery.

(5) In any suit, action, or proceeding involving the validity or enforceability of any bond issued under this part, or the security therefor, any such bond reciting in substance that it has been issued by the county, municipality, or community redevelopment agency in connection with community redevelopment, as herein defined, shall be conclusively deemed to have been issued for such purpose, and such project shall be conclusively deemed to have been planned, located, and carried out in accordance with the provisions of this part.

(6) Subsections (1), (4), and (5), as amended by s. 14, chapter 84-356, Laws of Florida, do not apply to any governing body of a county or municipality or to a community redevelopment agency if such governing body or agency has adopted an ordinance or resolution authorizing the issuance of any bonds, notes, or other forms of indebtedness to which is pledged increment revenues pursuant only to a community redevelopment plan as approved and adopted before chapter 84-356 became a law.

History.—s. 12, ch. 69-305; s. 12, ch. 73-302; s. 2, ch. 76-147; s. 10, ch. 77-391; s. 77, ch. 79-400; ss. 14, 22, ch. 84-356; s. 6, ch. 93-286; s. 9, ch. 94-236; s. 15, ch. 95-310; s. 7, ch. 2002-294.

163.387 Redevelopment trust fund.—

(1)(a) After approval of a community redevelopment plan, there may be established for each community redevelopment agency created under s. 163.356 a redevelopment trust fund. Funds allocated to and deposited into this fund shall be used by the agency to finance or refinance any community redevelopment it undertakes pursuant to the approved

community redevelopment plan. No community redevelopment agency may receive or spend any increment revenues pursuant to this section unless and until the governing body has, by ordinance, created the trust fund and provided for the funding of the redevelopment trust fund until the time certain set forth in the community redevelopment plan as required by s. 163.362(10). Such ordinance may be adopted only after the governing body has approved a community redevelopment plan. The annual funding of the redevelopment trust fund shall be in an amount not less than that increment in the income, proceeds, revenues, and funds of each taxing authority derived from or held in connection with the undertaking and carrying out of community redevelopment under this part. Such increment shall be determined annually and shall be that amount equal to 95 percent of the difference between:

1. The amount of ad valorem taxes levied each year by each taxing authority, exclusive of any amount from any debt service millage, on taxable real property contained within the geographic boundaries of a community redevelopment area; and
2. The amount of ad valorem taxes which would have been produced by the rate upon which the tax is levied each year by or for each taxing authority, exclusive of any debt service millage, upon the total of the assessed value of the taxable real property in the community redevelopment area as shown upon the most recent assessment roll used in connection with the taxation of such property by each taxing authority prior to the effective date of the ordinance providing for the funding of the trust fund.

However, the governing body of any county as defined in s. 125.011(1) may, in the ordinance providing for the funding of a trust fund established with respect to any community redevelopment area created on or after July 1, 1994, determine that the amount to be funded by each taxing authority annually shall be less than 95 percent of the difference between subparagraphs 1. and 2., but in no event shall such amount be less than 50 percent of such difference.

(b)1. For any governing body that has not authorized by June 5, 2006, a study to consider whether a finding of necessity resolution pursuant to s. 163.355 should be adopted, has not adopted a finding of necessity resolution pursuant to s. 163.355 by March 31, 2007, has not adopted a community redevelopment plan by June 7, 2007, and was not authorized to exercise community redevelopment powers pursuant to a delegation of authority under s.

163.410 by a county that has adopted a home rule charter, the amount of tax increment to be contributed by any taxing authority shall be limited as follows:

- a. If a taxing authority imposes a millage rate that exceeds the millage rate imposed by the governing body that created the trust fund, the amount of tax increment to be contributed by the taxing authority imposing the higher millage rate shall be calculated using the millage rate imposed by the governing body that created the trust fund. Nothing shall prohibit any taxing authority from voluntarily contributing a tax increment at a higher rate for a period of time as specified by interlocal agreement between the taxing authority and the community redevelopment agency.
- b. At any time more than 24 years after the fiscal year in which a taxing authority made its first contribution to a redevelopment trust fund, by resolution effective no sooner than the next fiscal year and adopted by majority vote of the taxing authority's governing body at a public hearing held not less than 30 or more than 45 days after written notice by registered mail to the community redevelopment agency and published in a newspaper of general circulation in the redevelopment area, the taxing authority may limit the amount of increment contributed by the taxing authority to the redevelopment trust fund to the amount of increment the taxing authority was obligated to contribute to the redevelopment trust fund in the fiscal year immediately preceding the adoption of such resolution, plus any increase in the increment after the adoption of the resolution computed using the taxable

values of any area which is subject to an area reinvestment agreement. As used in this subparagraph, the term "area reinvestment agreement" means an agreement between the community redevelopment agency and a private party, with or without additional parties, which provides that the increment computed for a specific area shall be reinvested in services or public or private projects, or both, including debt service, supporting one or more projects consistent with the community redevelopment plan that is identified in the agreement to be constructed within that area. Any such reinvestment agreement must specify the estimated total amount of public investment necessary to provide the projects or services, or both, including any applicable debt service. The contribution to the redevelopment trust fund of the increase in the increment of any area that is subject to an area reinvestment agreement following the passage of a resolution as provided in this subparagraph shall cease when the amount specified in the area reinvestment agreement as necessary to provide the projects or services, or both, including any applicable debt service, has been invested.

2. For any community redevelopment agency that was not created pursuant to a delegation of authority under s. 163.410 by a county that has adopted a home rule charter and that modifies its adopted community redevelopment plan after October 1, 2006, in a manner that expands the boundaries of the redevelopment area, the amount of increment to be contributed by any taxing authority with respect to the expanded area shall be limited as set forth in sub-subparagraphs 1.a. and b.

(2)(a) Except for the purpose of funding the trust fund pursuant to subsection (3), upon the adoption of an ordinance providing for funding of the redevelopment trust fund as provided in this section, each taxing authority shall, by January 1 of each year, appropriate to the trust fund for so long as any indebtedness pledging increment revenues to the payment thereof is outstanding (but not to exceed 30 years) a sum that is no less than the increment as defined and determined in subsection (1) or paragraph (3)(b) accruing to such taxing authority. If the community redevelopment plan is amended or modified pursuant to s. 163.361(1), each such taxing authority shall make the annual appropriation for a period not to exceed 30 years after the date the governing body amends the plan but no later than 60 years after the fiscal year in which the plan was initially approved or adopted. However, for any agency created on or after July 1, 2002, each taxing authority shall make the annual appropriation for a period not to exceed 40 years after the fiscal year in which the initial community redevelopment plan is approved or adopted.

(b) Any taxing authority that does not pay the increment revenues to the trust fund by January 1 shall pay to the trust fund an amount equal to 5 percent of the amount of the increment revenues and shall pay interest on the amount of the unpaid increment revenues equal to 1 percent for each month the increment is outstanding, provided the agency may waive such penalty payments in whole or in part.

(c) The following public bodies or taxing authorities are exempt from paragraph (a):

1. A special district that levies ad valorem taxes on taxable real property in more than one county.

2. A special district for which the sole available source of revenue the district has the authority to levy is ad valorem taxes at the time an ordinance is adopted under this section. However, revenues or aid that may be dispensed or appropriated to a district as defined in s. 388.011 at the discretion of an entity other than such district shall not be deemed available.

3. A library district, except a library district in a jurisdiction where the community redevelopment agency had validated bonds as of April 30, 1984.

4. A neighborhood improvement district created under the Safe Neighborhoods Act.

5. A metropolitan transportation authority.

6. A water management district created under s. 373.069.

7. For a community redevelopment agency created on or after July 1, 2016, a hospital district that is a special district as defined in s. 189.012.

(d)1. A local governing body that creates a community redevelopment agency under s. 163.356 may exempt from paragraph (a) a special district that levies ad valorem taxes within that community redevelopment area. The local governing body may grant the exemption either in its sole discretion or in response to the request of the special district. The local governing body must establish procedures by which a special district may submit a written request to be exempted from paragraph (a).

2. In deciding whether to deny or grant a special district's request for exemption from paragraph (a), the local governing body must consider:

- a. Any additional revenue sources of the community redevelopment agency which could be used in lieu of the special district's tax increment.
- b. The fiscal and operational impact on the community redevelopment agency.
- c. The fiscal and operational impact on the special district.
- d. The benefit to the specific purpose for which the special district was created. The benefit to the special district must be based on specific projects contained in the approved community redevelopment plan for the designated community redevelopment area.
- e. The impact of the exemption on incurred debt and whether such exemption will impair any outstanding bonds that have pledged tax increment revenues to the repayment of the bonds.

f. The benefit of the activities of the special district to the approved community redevelopment plan.

g. The benefit of the activities of the special district to the area of operation of the local governing body that created the community redevelopment agency.

3. The local governing body must hold a public hearing on a special district's request for exemption after public notice of the hearing is published in a newspaper having a general circulation in the county or municipality that created the community redevelopment area. The notice must describe the time, date, place, and purpose of the hearing and must identify generally the community redevelopment area covered by the plan and the impact of the plan on the special district that requested the exemption.

4. If a local governing body grants an exemption to a special district under this paragraph, the local governing body and the special district must enter into an interlocal agreement that establishes the conditions of the exemption, including, but not limited to, the period of time for which the exemption is granted.

5. If a local governing body denies a request for exemption by a special district, the local governing body shall provide the special district with a written analysis specifying the rationale for such denial. This written analysis must include, but is not limited to, the following information:

- a. A separate, detailed examination of each consideration listed in subparagraph 2.
- b. Specific examples of how the approved community redevelopment plan will benefit, and has already benefited, the purpose for which the special district was created.

6. The decision to either deny or grant an exemption must be made by the local governing body within 120 days after the date the written request was submitted to the local governing body pursuant to the procedures established by such local governing body.

(3)(a) Notwithstanding the provisions of subsection (2), the obligation of the governing body which established the community redevelopment agency to fund the redevelopment trust fund annually shall continue until all loans, advances, and indebtedness, if any, and interest thereon, of a community redevelopment agency incurred as a result of redevelopment in a community redevelopment area have been paid.

(b) Alternate provisions contained in an interlocal agreement between a taxing authority and the governing body that created the community redevelopment agency may supersede the provisions of this section with respect to that taxing authority. The community redevelopment agency may be an additional party to any such agreement.

(4) The revenue bonds and notes of every issue under this part are payable solely out of revenues pledged to and received by a community redevelopment agency and deposited to

its redevelopment trust fund. The lien created by such bonds or notes shall not attach until the increment revenues referred to herein are deposited in the redevelopment trust fund at the times, and to the extent that, such increment revenues accrue. The holders of such bonds or notes have no right to require the imposition of any tax or the establishment of any rate of taxation in order to obtain the amounts necessary to pay and retire such bonds or notes.

(5) Revenue bonds issued under the provisions of this part shall not be deemed to constitute a debt, liability, or obligation of the public body or the state or any political subdivision thereof, or a pledge of the faith and credit of the public body or the state or any political subdivision thereof, but shall be payable solely from the revenues provided therefor. All such revenue bonds shall contain on the face thereof a statement to the effect that the agency shall not be obligated to pay the same or the interest thereon except from the revenues of the community redevelopment agency held for that purpose and that neither the faith and credit nor the taxing power of the governing body or of the state or of any political subdivision thereof is pledged to the payment of the principal of, or the interest on, such bonds.

(6) Moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:

(a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.

(b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.

(c) The acquisition of real property in the redevelopment area.

(d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in s. 163.370.

(e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.

(f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.

(g) The development of affordable housing within the community redevelopment area.

(h) The development of community policing innovations.

(7) On the last day of the fiscal year of the community redevelopment agency, any money which remains in the trust fund after the payment of expenses pursuant to subsection (6) for such year shall be:

(a) Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year;

(b) Used to reduce the amount of any indebtedness to which increment revenues are pledged;

(c) Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or

(d) Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation.

(8) Each community redevelopment agency shall provide for an audit of the trust fund each fiscal year and a report of such audit to be prepared by an independent certified public accountant or firm. Such report shall describe the amount and source of deposits into, and the amount and purpose of withdrawals from, the trust fund during such fiscal year and the

amount of principal and interest paid during such year on any indebtedness to which increment revenues are pledged and the remaining amount of such indebtedness. The agency shall provide by registered mail a copy of the report to each taxing authority. History.—s. 11, ch. 77-391; s. 78, ch. 79-400; s. 9, ch. 83-231; s. 15, ch. 84-356; s. 27, ch. 87-224; s. 35, ch. 91-45; s. 4, ch. 93-286; s. 10, ch. 94-236; s. 1, ch. 94-344; s. 10, ch. 98-314; s. 8, ch. 2002-18; s. 8, ch. 2002-294; s. 7, ch. 2006-307; s. 1, ch. 2016-155.

163.390 Bonds as legal investments.—All banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking or investment business; all insurance companies, insurance associations, and other persons carrying on an insurance business; and all executors, administrators, curators, trustees, and other fiduciaries may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by a county or municipality pursuant to this part or by any community redevelopment agency vested with community redevelopment powers. Such bonds and other obligations shall be authorized security for all public deposits. It is the purpose of this section to authorize all persons, political subdivisions, and officers, public or private, to use any funds owned or controlled by them for the purchase of any such bonds or other obligations. Nothing contained in this section with regard to legal investments shall be construed as relieving any person of any duty of exercising reasonable care in selecting securities.

History.—s. 13, ch. 69-305; s. 12, ch. 77-391; s. 16, ch. 84-356.

163.395 Property exempt from taxes and from levy and sale by virtue of an execution.—

(1) All property of any county, municipality, or community redevelopment agency, including funds, owned or held by it for the purposes of this part are exempt from levy and sale by virtue of an execution; and no execution or other judicial process may issue against the same, nor shall judgment against the county, municipality, or community redevelopment agency be a charge or lien upon such property. However, the provisions of this section do not apply to or limit the right of obligees to pursue any remedies for the enforcement of any pledge or lien given pursuant to this part by the county or municipality on its rents, fees, grants, or revenues from community redevelopment.

(2) The property of the county, municipality, or community redevelopment agency acquired or held for the purposes of this part is declared to be public property used for essential public and governmental purposes, and such property is exempt from all taxes of the municipality, the county, or the state or any political subdivision thereof. However, such tax exemption will terminate when the county, municipality, or community redevelopment agency sells, leases, or otherwise disposes of such property in a community redevelopment area to a purchaser or lessee which is not a public body entitled to tax exemption with respect to such property.

History.—s. 14, ch. 69-305; s. 13, ch. 77-391; s. 17, ch. 84-356.

163.400 Cooperation by public bodies.—

(1) For the purpose of aiding in the planning, undertaking, or carrying out of community redevelopment and related activities authorized by this part, any public body may, upon such terms, with or without consideration, as it may determine:

(a) Dedicate, sell, convey, or lease any of its interest in any property or grant easements, licenses, or other rights or privileges therein to a county or municipality.

(b) Incur the entire expense of any public improvements made by such public body in exercising the powers granted in this section.

(c) Do any and all things necessary to aid or cooperate in the planning or carrying out of a community redevelopment plan and related activities.

(d) Lend, grant, or contribute funds to a county or municipality; borrow money; and apply for and accept advances, loans, grants, contributions, or any other form of financial assistance from the Federal Government, the state, the county, another public body, or any other source.

(e) Enter into agreements, which may extend over any period, notwithstanding any provision or rule of law to the contrary, with the Federal Government, a county, a municipality, or another public body respecting action to be taken pursuant to any of the powers granted by this part, including the furnishing of funds or other assistance in connection with community redevelopment and related activities.

(f) Cause public buildings and public facilities, including parks, playgrounds, recreational, community, educational, water, sewer, or drainage facilities, or any other works which it is otherwise empowered to undertake to be furnished; furnish, dedicate, close, vacate, pave, install, grade, regrade, plan, or replan streets, roads, sidewalks, ways, or other places; plan or replan or zone or rezone any part of the public body or make exceptions from building regulations; and cause administrative and other services to be furnished to the county or municipality.

If at any time title to or possession of any property in a community redevelopment area is held by any public body or governmental agency, other than the county or municipality, but including any agency or instrumentality of the United States, which is authorized by law to engage in the undertaking, carrying out, or administration of community redevelopment and related activities, the provisions of the agreements referred to in this section shall inure to the benefit of and may be enforced by such public body or governmental agency. As used in this subsection, the term "county or municipality" also includes a community redevelopment agency.

(2) Any sale, conveyance, lease, or agreement provided for in this section may be made by a public body without appraisal, public notice, advertisement, or public bidding.

(3) For the purpose of aiding in the planning, undertaking, or carrying out of any community redevelopment and related activities of a community redevelopment agency or a housing authority hereunder, any county or municipality may, in addition to its other powers and upon such terms, with or without consideration, as it determines, do and perform any or all of the actions or things which, by the provisions of subsection (1), a public body is authorized to do or perform, including the furnishing of financial and other assistance.

(4) For the purposes of this section, or for the purpose of aiding in the planning, undertaking, or carrying out of community redevelopment and related activities of a county or municipality, such county or municipality may, in addition to any authority to issue bonds pursuant to s. 163.385, issue and sell its general obligation bonds. Any bonds issued by the county or municipality pursuant to this section shall be issued in the manner and within the limitations prescribed by the applicable laws of this state for the issuance and authorization of general obligation bonds by such county or municipality. Nothing in this section shall limit or otherwise adversely affect any other section of this part.

History.—s. 15, ch. 69-305; s. 14, ch. 77-391; s. 79, ch. 79-400; s. 18, ch. 84-356.

163.405 Title of purchaser.—Any instrument executed by any county, municipality, or community redevelopment agency and purporting to convey any right, title, or interest in any property under this part shall be conclusively presumed to have been executed in compliance with the provisions of this part insofar as title or other interest of any bona fide purchasers, lessees, or transferees of such property is concerned.

History.—s. 16, ch. 69-305; s. 15, ch. 77-391.

163.410 Exercise of powers in counties with home rule charters.—In any county which has adopted a home rule charter, the powers conferred by this part shall be exercised

exclusively by the governing body of such county. However, the governing body of any such county which has adopted a home rule charter may, in its discretion, by resolution delegate the exercise of the powers conferred upon the county by this part within the boundaries of a municipality to the governing body of such a municipality. Such a delegation to a municipality shall confer only such powers upon a municipality as shall be specifically enumerated in the delegating resolution. Any power not specifically delegated shall be reserved exclusively to the governing body of the county. This section does not affect any community redevelopment agency created by a municipality prior to the adoption of a county home rule charter. Unless otherwise provided by an existing ordinance, resolution, or interlocal agreement between any such county and a municipality, the governing body of the county that has adopted a home rule charter shall grant in whole or in part or deny any request from a municipality for a delegation of powers or a change in an existing delegation of powers within 120 days after the receipt of all required documentation, or such request shall be deemed granted unless this period is extended by mutual consent in writing by the municipality and county. Within 30 days after receipt of the request, the county shall notify the municipality by registered mail whether the request is complete or if additional information is required. Any request by the county for additional documentation shall specify the deficiencies in the submitted documentation, if any. The county shall notify the municipality by registered mail within 30 days after receiving the additional information whether such additional documentation is complete. If the meeting of the county commission at which the request for a delegation of powers or a change in an existing delegation of powers is unable to be held due to events beyond the control of the county, the request shall be acted upon at the next regularly scheduled meeting of the county commission without regard to the 120-day limitation. If the county does not act upon the request at the next regularly scheduled meeting, the request shall be deemed granted. History.—s. 17, ch. 69-305; s. 1, ch. 83-29; s. 9, ch. 2002-294; s. 8, ch. 2006-307.

163.415 Exercise of powers in counties without home rule charters.—The powers conferred by this part upon counties not having adopted a home rule charter shall not be exercised within the boundaries of a municipality within said county unless the governing body of the municipality expresses its consent by resolution. Such a resolution consenting to the exercise of the powers conferred upon counties by this part shall specifically enumerate the powers to be exercised by the county within the boundaries of the municipality. Any power not specifically enumerated in such a resolution of consent shall be exercised exclusively by the municipality within its boundaries. History.—s. 18, ch. 69-305.

163.430 Powers supplemental to existing community redevelopment powers.—The powers conferred upon counties or municipalities by this part shall be supplemental to any community redevelopment powers now being exercised by any county or municipality in accordance with the provisions of any population act, special act, or under the provisions of the home rule charter for Miami-Dade County, or under the provision of the charter of the consolidated City of Jacksonville. History.—s. 21, ch. 69-305; s. 29, ch. 2008-4.

163.445 Assistance to community redevelopment by state agencies.—State agencies may provide technical and advisory assistance, upon request, to municipalities, counties, and community redevelopment agencies for community redevelopment as defined in this part. Such assistance may include, but need not be limited to, preparation of workable programs, relocation planning, special statistical and other studies and compilations, technical evaluations and information, training activities, professional services, surveys, reports, documents, and any other similar service functions. If sufficient funds and personnel are available, these services shall be provided without charge.

History.—s. 25, ch. 69-305; s. 16, ch. 77-391; s. 19, ch. 84-356.

163.450 Municipal and county participation in neighborhood development programs under Pub. L. No. 90-448.—Nothing contained herein shall be construed to prevent a county or municipality which is engaging in community redevelopment activities hereunder from participating in the neighborhood development program under the Housing and Urban Development Act of 1968 (Pub. L. No. 90-448) or in any amendments subsequent thereto. History.—s. 26, ch. 69-305; s. 19, ch. 85-80.

163.463 Applicability of ch. 2002-294.—

(1) Amendments to this part, as provided by this act, do not apply to any ordinance or resolution authorizing the issuance of any bond, note, or other form of indebtedness to which are pledged increment revenues pursuant to a community development plan, or amendment or modification thereto, as approved or adopted before July 1, 2002.

(2) Amendments to this part, as provided by this act, shall not apply to any ordinance, resolution, interlocal agreement, or written agreement effective before July 1, 2002, that provides for the delegation of community redevelopment powers.

(3) The amendments to ss. 163.340, 163.355, 163.361, and 163.362 by this act do not apply to or affect, directly or indirectly, any community development agency created before July 1, 2002, unless the community redevelopment area is expanded on or after July 1, 2002, in which case only the amendments to ss. 163.340 and 163.355 by this act shall apply only to such expanded area.

(4) The amendments to ss. 163.340, 163.355, 163.361, and 163.362 by this act do not apply to or affect, directly or indirectly, any municipality that has authorized a finding of necessity study by May 1, 2002, or has adopted its finding of necessity on or before August 1, 2002, and has adopted its community redevelopment plan on or before December 31, 2002.

(5) The amendments to ss. 163.340, 163.355, 163.361, and 163.362 by this act do not apply to or affect, directly or indirectly, any municipality that has submitted before August 1, 2002, its finding of necessity, or application for approval of a community redevelopment plan, or an application to amend an existing community redevelopment plan to a county that has adopted a home rule charter.

(6) The amendments to ss. 163.355, 163.362, 163.385, and 163.387 by this act do not apply to or affect, directly or indirectly, any county as defined in s. 125.011(1) or any municipality located therein.

History.—s. 10, ch. 2002-294.



National Advisory Council on State and Local Budgeting (NACSLB) Budgeting Best Practices

National Advisory Council on State and Local Budgeting Practice

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A FRAMEWORK FOR IMPROVED STATE AND LOCAL GOVERNMENT BUDGETING AND RECOMMENDED BUDGET PRACTICES

PREFACE

The National Advisory Council on State and Local Budgeting (NACSLB) was formed in the spring of 1995. The Council was established with a three-year mission to improve state and local government budgeting through identification and dissemination of good budget principles and practices. The Council is composed of representatives from the eight original co-founding organizations as well as representatives from academic institutions, public employees' organizations, and the public finance industry.

This document presents a framework describing critical issues that must be addressed to improve the budgeting practices of state and local governments. It provides a definition and a mission of a good budget process. It also defines principles and elements of the budget process that serve as a means to categorize budget practices. The recommended budget practices identified by the NACSLB are essential components of each budget element. These practices may change over time in response to changing conditions and experience, and should be periodically reviewed and updated as necessary. It is intended that these practices will assist governments in evaluating and improving their own budget policies and procedures and provide a foundation for further budget research and experimentation.

DEFINING AN IMPROVED BUDGET PROCESS

Governments allocate scarce resources to programs and services through the budget process. As a result, it is one of the most important activities undertaken by governments. As the focal point for key resource decisions, the budget process is a powerful tool. The quality of decisions resulting from the budget process and the level of their acceptance depends on the characteristics of the budget process that is used.

A budget process that is well-integrated with other activities of government, such as the planning and management functions, will provide better financial and program decisions and lead to improved governmental operations. A process that effectively involves all stakeholders—elected officials, governmental administrators, employees and their representatives, citizen groups, and business leaders—and reflects their needs and priorities will serve as a positive force in maintaining good public relations and enhancing citizens' and other stakeholders' overall impression of government.

The National Advisory Council on State and Local Budgeting (NACSLB) was created to provide tools for governments to improve their budgeting processes and to promote their use. In fulfilling that role, the NACSLB has set forth a framework that has provided the context for development of a set of budget practices for state and local governments. The budget practices identified by the NACSLB take into account, and respect, the differences in state and local laws, the impact of the political aspects of government, and the management needs of government. The practices are appropriate for a variety of management and political styles.

As a result of the evolving nature of good budgeting practice, these practices are not intended as mandatory prescriptions for governments. Rather, practices are set forth as recommendations only, and can serve as a blueprint for governments that want to make improvements to their budget processes. Implementation of these practices is expected to be an incremental process that will take place over a number of years.

The framework presents a definition and mission statement for the budget process. It also presents a structure for the overall budget process consisting of principles and budgetary elements. Budgetary elements are essential components of each principle. This structure allows practices to be categorized in a useful manner. The framework and the compendium of good budget practices are intended to serve as tools to assist governments in improving their budget process. Among the benefits are:

- Educating governments and budget participants about the potential of budget systems,

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- Helping governments assess the adequacy of their own budgetary systems,
 - Providing guidance to governments that want to improve their budget processes, and
 - Promoting education, training, and further experimentation and research on techniques that work.
-

A DEFINITION OF THE BUDGET PROCESS

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. A good budget process is far more than the preparation of a legal document that appropriates funds for a series of line items. Good budgeting is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. The following definition recognizes the broad scope of the budget process and provides a base for improvement of the budget process.

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

Several essential features characterize a good budget process. A good budget process:

- Incorporates a long-term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provide incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

THE MISSION OF THE BUDGET PROCESS

The mission statement below identifies the central goal of the budget process. It incorporates both political and managerial aspects, as well as a responsibility to report and account for the provision of services and use of resources. Communication and involvement with citizens and other stakeholders is stressed. The broad nature of the mission allows issues to be addressed that have limited the success of budgeting in the past.

The mission of the budget process is to help decision makers make informed choices for the provision of services and capital assets and to promote stakeholder participation in the decision process.

COMMUNICATION AND INVOLVEMENT

A company is not likely to remain in business if it does not stay in touch with its customers. While governments that are not in touch and do not have involved citizens may remain in business, the results are often not pleasant for the citizens or the government. Apathy is a serious illness of government. It is in the best interests of government to have involved "stakeholders."

The term "stakeholder" refers to anyone affected by or has a stake in government. This term includes, but is not limited to: citizens, customers, elected officials, management, employees and their representatives (whether unions or other agents), businesses, other governments, and the media.

It is vital that the budget process include all stakeholders. The budget process should accomplish the following:

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- Involve stakeholders,
- Identify stakeholder issues and concerns,
- Achieve stakeholder buy-in to the overall budgeting process,
- Achieve stakeholder buy-in to decisions related to goals, services, and resource utilization,
- Report to stakeholders on services and resource utilization, and
- Serve generally to enhance the stakeholders' view of government.

The importance of this aspect of the budget process cannot be overstated. Regular and frequent reporting is necessary to provide accountability, educate and inform stakeholders, and improve their confidence in the government. Communication and involvement is an essential component of every aspect of the budget process.

PRINCIPLES OF THE BUDGET PROCESS

The budget process consists of several broad principles that stem from the definition and mission described above. These principles encompass many functions that cut across a governmental organization. They reflect the fact that development of a budget is a political and managerial process that also has financial and technical dimensions.

The functions or activities covered by these principles generally are sequentially ordered, but they can often be performed concurrently to some extent. Moreover, information obtained from one activity or function can aid in achieving an earlier one. The process can be iterative, and is intended to be so. Some functions may also be accomplished by linkage to other processes rather than as an explicit part of a formal budget process. For example, developing broad goals and identifying the services that are needed to accomplish the goals could be part of a separate strategic planning process. As long as there is an appropriate linkage, these functions do not need to be a formal component of the budget process. Governments do need to give adequate attention to these linkages, however, and ensure that those affected are appropriately involved. The budget should be the centerpiece of a thoughtful, ongoing, decision-making process for allocating resources and setting priorities and direction.

The principles of the budget process are shown as follows:

DEVELOP BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING

A government should have broad goals that provide overall direction for the government and serve as a basis for decision making.

DEVELOP APPROACHES TO ACHIEVE GOALS

A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.

DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS

A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.

ASSESS PERFORMANCE AND MAKE ADJUSTMENTS

Program and financial performance should be continually assessed, and adjustments made, to encourage progress toward achieving goals.

ELEMENTS OF THE BUDGET PROCESS

Each principle of the budget process comprises a number of elements that represent achievable results. These elements help translate the guiding principles into action components. Individual budgetary practices are derived from these elements and are a way to accomplish the elements. The elements of each guiding principle are identified below. The principles and elements provide a structure to categorize

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budgetary practices. A more detailed explanation of the principles and elements is provided in the appendix.

ESTABLISH BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING

- 1. Assess community needs, priorities, challenges and opportunities*
- 2. Identify opportunities and challenges for government services, capital assets, and management*
- 3. Develop and disseminate broad goals*

DEVELOP APPROACHES TO ACHIEVE GOALS

- 4. Develop financial policies*
- 5. Develop programmatic, operating, and capital policies and plans*
- 6. Develop programs and services that are consistent with policies and plans*
- 7. Develop management strategies*

DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS

- 8. Develop a process for preparing and adopting a budget*
- 9. Develop and evaluate financial options*
- 10. Make choices necessary to adopt a budget*

ASSESS PERFORMANCE AND MAKE ADJUSTMENTS

- 11. Monitor, measure, and assess performance*
- 12. Make adjustments as needed*

BUDGET PRACTICES

Definition of a Budget Practice

A budget practice is a procedure that assists in accomplishing a principle and element of the budget process. It is appropriate for all governments and in all circumstances and situations. Budget practices can be hierarchical—that is, one practice can help accomplish another practice. The Council has avoided a practice hierarchy of more than one level. A budget element typically has multiple practices associated with it.

Budget practices must be clearly related to activities identified in the budget process definition. A practice is not a budget practice unless it specifically contributes to the development, description, understanding, implementation and evaluation of a plan for provision of services and capital assets. For example, a policy statement on debt capacity is included in a set of budget practices since debt is a component of the budget and the budget decision making. However, a practice encouraging competitive sales of debt is not a budget practice. More specific methods of accomplishing a budget practice are usually categorized as tools and techniques. There also may be alternative ways to accomplish a practice. Different governments may find one tool or technique works better for them than another. Budget practices do not identify a specific time frame, but tools and techniques may do so. See the section on Budget Tools and Techniques for a more detailed description of these items.

Format of a Budgetary Practice

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The budgetary practice format used by the NACSLB is concise and normally fits on one page. Practice examples are in addition to the one page description. The format includes the following:

Name - A short phrase naming the practice that can be used to succinctly describe the practice.

Principle and Element - Name of the principle and element with which the practice is associated.

Component Practice - Name of the practice to which this practice is hierarchically related, if any.

Description - A brief description of the practice. It should be no more than two or three sentences.

Rationale - A short one to three sentence explanation of the need for the practice and why it is important. It describes the generally applicable benefits.

Output - A brief description of communications and outputs. It identifies what is to be produced and who is the audience.

Notes - Additional information with regard to practice implementation, roles, and optional features. Award program requirements and sources may also be provided.

Examples - The NACSLB generally has tried to provide one or more examples with each practice to make the practices compendium more useful. The Council may experiment with the format of practices. It is hoped that practices and corresponding examples will eventually be available on CD-ROM or the Internet.

Comprehensiveness and Categorization of Budget Practices

The NACSLB considers that the recommended budgetary practices are representative of the range of issues raised by each budgetary element. However, the NACSLB also recognizes that there may be additional practices that can be associated with each element and that practices may be added or changed in the future. As a result, this classification is intended to be dynamic and periodically reviewed and updated.

The budgetary practices are categorized using the principle/element/practice/example hierarchy described in this budgetary framework document. Practices help to accomplish a budgetary element which in turn is a component of a budgetary principle. In the future, the Council may consider additional categorization of examples. The Council may also provide examples that identify developing initiatives.

Budget Tools and Techniques

Budget tools and techniques are specific methods of accomplishing a practice. Budget tools and techniques assist in some situations or governments, but may not in all. The NACSLB has not developed tools and techniques. Tools and techniques supporting each practice may be better left to the NACSLB member associations and others to develop.

Issues Affecting Budget Practices

There are numerous issues affecting the successful implementation of budget practices. Failure to address these issues will, at a minimum, be an impediment to improving the budget process, but could have a more severe, adverse impact on the budget process and the quality of the budget results. The NACSLB feels the practices it has developed respect the problems a government may have in implementing a good budget process. The following issues need to be taken into account in the tools and techniques that support budgetary practices:

- Managing the budget process and changes to budget practices.
- Dealing with differences between governments, including size and legislative processes.
- Adjusting for organizational structure and issues.
- Addressing the organizational culture with regard to the budget process.
- Election campaign issues. Desire to have change or to prevent change.
- Level of resources available for programs.
- Available level of technical system and support.
- Dealing with high (or low) expectations.
- Legal requirements.
- Ensuring citizen processes work.
- The level of stakeholder understanding.
- Accuracy of projections and assumptions.
- Level of disclosure.

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Practices Are Recommendations, Not Requirements

The budget practices have been developed to provide guidance to governments that want to make improvements to their budget processes. The NACSLB endorses the practices and considers them a component of good government. These practices should not be regarded as standards or requirements, however. The complex, evolving, and political nature of the budget process make it certain that some governments will find alternative approaches to good budgeting. These approaches may well become additions to or provide the basis for modifying practices identified by the NACSLB.

Success in implementing the principles, elements, and practices should not be measured by how rapidly they are incorporated into the budget process. Successful implementation is likely to take a number of years in order to build the necessary level of understanding among all participants, institute support systems, and make modifications to accommodate the unique nature of each government.

Conformance of Recommended Practices with Statute

The recommended practices are intended to supplement existing statutes controlling a government's budget process. The recommended practices should rarely, if ever, be directly in conflict with statute. A conflict can usually be resolved by simply having official materials meet statutory requirements and preparing additional materials conforming to the recommended practices. If there ever is unresolvable conflict, then statutory requirements should take precedence.

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APPENDIX

An Outline of Recommended Budget Practices of the National Advisory Council on State and Local Budgeting

This appendix sets forth a set of recommended budget practices formulated by the National Advisory Council on State and Local Budgeting (NACSLB). These budget practices address all aspects of the budget process as defined by the principles and elements described herein. Practices identified in this outline are essential components of the element with which they are associated. However, there may be practices within each element that have not been currently identified and practices may be added or changed in the future. This list of recommended budget practices is intended to be dynamic and periodically reviewed and updated.

As a result of the evolving nature of good budgeting practice, these practices are not intended as mandatory prescriptions for governments. Rather, practices are set forth as recommendations only, and can serve as a blueprint for governments that want to make improvements to their budget processes. Implementation of these practices is expected to be an incremental process that will take place over a number of years.

PRINCIPLE 1- ESTABLISH BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING

This principle provides for the development of a set of broad goals that establish a general direction for the government. These goals serve as the basis for development of policies and programs, including the service types and levels that will be provided and capital asset acquisition and maintenance. Goals are developed after undertaking an assessment of community conditions and other external factors, and a review of the internal operations of the government, including its services, capital assets, and management practices. Based on the assessment of current and expected future conditions, and opportunities and challenges facing the community and the government, broad goals are established that define the preferred future state of the community. Other principles address the development of strategies and allocation of resources to achieve these goals.

1 Element 1 - Assess Community Needs, Priorities, Challenges and Opportunities

A government should develop an understanding of the condition of the community, and trends and issues that may affect it in the future. This process requires an examination and assessment of stakeholder issues, concerns, needs, and desires. Also, factors that affect the community, stakeholders, and the government should be identified. These include the state of the economy, the composition of the population, technology, legal or regulatory issues, intergovernmental issues, and physical or environmental issues.

PRACTICES

1.1 Identify stakeholder concerns, needs, and priorities

- 1.1.1 Practice: A government should develop mechanisms to identify stakeholder concerns, needs, and priorities.
- 1.1.2 Rationale: The limited resources of a government should be directed in a manner consistent with the concerns, needs, and priorities of stakeholders; hence, a government must be aware of those concerns, needs, and priorities.
- 1.1.3 Outputs: This practice provides for a series of mechanisms to promote stakeholder participation in discussing and communicating values and issues that are of concern to them. Among the mechanisms that might be considered are public hearings, surveys, meetings of leading citizens and citizen interest groups, government strategic planning processes,

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meetings with government employees, and workshops involving government administrative staff and/or the legislative body.

- 1.1.4 Notes: This practice is integral to practices addressing the development and dissemination of broad goals. This practice is also related to practices that assess stakeholder satisfaction with programs and services and progress toward achieving goals. (See practice entitled Monitor, Measure, and Assess Stakeholder Satisfaction.)

1.2 Evaluate community condition, external factors, opportunities and challenges

- 1.2.1 Practice: A government should regularly collect and evaluate information about trends in community condition, the external factors affecting it, opportunities that may be available, and problems and issues that need to be addressed.
- 1.2.2 Rationale: A government must have an understanding of the issues and trends affecting a community in order to establish the most appropriate goals.
- 1.2.3 Outputs: A variety of mechanisms should be considered to gather information about the community and to report on the results. Some mechanisms will involve data gathering from preexisting sources or through opinion surveys. Other mechanisms will be subjective, such as observing physical characteristics of geographic areas within the community or talking to residents, experts, business and community leaders, and legislative bodies. Formal studies of particular issues or trends may also be undertaken.
- 1.2.4 Notes: The intent of this practice is for a government to have up-to-date information with which to evaluate community conditions and major issues that are integral to the development and achievement of goals. In evaluating community condition, a government may want to consider local, regional, national, and global factors affecting the community, including:
- Economic and financial factors,
 - Demographic trends,
 - Legal or regulatory issues,
 - Social and cultural trends,
 - Physical (e.g., community development) or environmental factors,
 - Intergovernmental issues, and
 - Technological change.

2 *Element 2 - Identify Opportunities and Challenges for Government Services, Capital Assets, and Management*

A government should undertake an assessment of its own operations, including the services it currently provides, the assets it owns, its management structure, and the opportunities and challenges that may affect them. A government should review existing services and assess how well services address community needs and changes that may be necessary to respond to opportunities and challenges. There should also be a corresponding review of existing capital assets. Note that this element provides only for an evaluation of services and capital assets and does not address decisions as to whether to provide or maintain them. Since internal management practices can affect achievement of goals, issues such as organizational structure, information flow, and employee motivation should be reviewed to determine whether changes will be needed to achieve goals.

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PRACTICES

2.1 Assess services and programs, and identify issues, opportunities, and challenges

- 2.1.1 Practice: A government should identify and assess the programs and services that it provides, their intended purpose, and factors that could affect their provision in the future.
- 2.1.2 Rationale: Changes in community conditions or other factors may result in a program or service no longer addressing the needs it was intended to serve. Also, changes in the operating environment may affect the cost or effectiveness of service delivery in the future. These changes must be understood before an assessment can be made of whether existing programs should be continued or whether adjustments should be made.
- 2.1.3 Outputs: A government should have a process for inventorying and evaluating programs and services to determine the relationship of these programs to the needs and priorities of the community. The review should include an assessment of the programs' purposes, beneficiaries and needs served, and issues, challenges, and opportunities affecting their provision in the future. The inventory of programs and services should identify the organization responsible for service delivery if it is not the government itself. An evaluation of factors affecting service delivery also should be undertaken, such as funding issues; changes in technology; economic, demographic or other factors that may affect demand; and legal or regulatory changes. These reviews will typically utilize a variety of information sources. Stakeholder involvement in these reviews should be encouraged.
- 2.1.4 Notes: The intent of this practice is to ensure that a government understands the programs and services that it provides.

2.2 Assess capital assets, and identify issues, opportunities, and challenges

- 2.2.1 Practice: A government should identify and conduct an assessment of its capital assets, including the condition of the assets and factors that could affect the need for or ability to maintain the assets in the future.
- 2.2.2 Rationale: The capital assets of a government and their condition are critical to the quality of services provided, and hence are important in determining whether the needs and priorities of stakeholders can be met.
- 2.2.3 Outputs: A government should have a process for inventorying its capital assets and assessing the need for and the condition of these assets. The assessment should include an evaluation of issues, challenges, and opportunities affecting the provision of capital assets in the future, such as community needs and priorities; funding issues; changes in technology; economic, demographic, or other factors that may affect demand; and legal or regulatory changes. This review may be undertaken in conjunction with an evaluation of the program or service utilizing the particular assets. The assessment of capital asset condition should consider the impact of any deferred maintenance and needed improvements.
- 2.2.4 Notes: Reviews of the condition of a capital asset and how well it is meeting its intended purpose may not be undertaken very often, particularly if there is little change occurring. However, the information obtained from these assessments can be an important component of an overall evaluation of community needs and issues. Capital assets that have shorter lives or require more maintenance should be examined

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more frequently than longer-lived assets or assets requiring little maintenance. Governments should stay abreast of developments that may affect their major capital assets, such as regulatory changes, population movements, or technological advances, and consider the impact of such issues in the goal-setting process.

2.3 Assess governmental management systems, and identify issues, opportunities, and challenges

- 2.3.1 Practice: A government should identify and analyze its organization and management systems, including system strengths and weaknesses and factors that could affect these systems in the future.
- 2.3.2 Rationale: The support systems established to manage a government are integral to the achievement of goals.
- 2.3.3 Outputs: A process should be instituted to routinely identify, analyze, and address issues related to a government's organization and management systems and the environment in which these systems operate. This process includes an examination of strengths and weaknesses of the organizational structure, interdepartmental communication and cooperation, communication of goals and directives, motivation of staff, conflict management, and provision of other internal needs and support systems. The review also should include an assessment of management policies, procedures, and systems that support achievement of goals. These reviews should involve stakeholders, as appropriate, including legislative bodies; government managers, employees and/or their representatives; and business and community leaders.
- 2.3.4 Notes: The intent is that a government have a workable process for reviewing its internal management systems. The process identifies the changes necessary to respond to perceived opportunities and challenges and to achieve particular goals.

3 Element 3 - Develop and Disseminate Broad Goals

A government should identify and disseminate broad goals. Broad goals should be related to the needs, challenges, and opportunities confronting the government and take into account the services operated by the government, its capital infrastructure, and its organization and management systems. A government should also provide for dissemination and review of goals to ensure stakeholder understanding of the direction in which the government is moving.

PRACTICES

3.1 Identify broad goals

- 3.1.1 Practice: A government should identify broad goals based on its assessment of the community it serves and its operating environment.
- 3.1.2 Rationale: Broad goals define the priorities and preferred future state of the community or area served. They provide a basis for making resource allocation decisions during the budget process and serve as a focal point for assessing and coordinating various long-range or strategic plans.
- 3.1.3 Outputs: Goals should be expressed in written form and should reflect stakeholder concerns, needs, and priorities as well as factors affecting the community and the government. They must be sufficiently specific to help define the services to be emphasized and make difficult resource allocation decisions in the budget process.

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- 3.1.4 Notes: This practice builds on work accomplished through elements addressing the identification of community needs and priorities, and evaluation of community condition and the government's operating environment. Goals should be developed proactively rather than reactively and with the involvement of all levels and units of government. Broad goals may be prioritized. Care must be taken to minimize conflict when goals are prioritized so that the government has a clear understanding and general consensus on the direction in which it is heading. Once goals are established, more detailed action plans can be developed and integrated with management and budget processes.

3.2 Disseminate goals and review with stakeholders

- 3.2.1 Practice: A government should disseminate broad goals and review them with stakeholders.
- 3.2.2 Rationale: Disseminating and reviewing goals helps foster participation, awareness, consensus, pride, and a sense of direction.
- 3.2.3 Outputs: Dissemination may occur by conducting public forums and by publishing goals in key public documents, such as strategic and other planning documents and budget documents. Electronic media may also be used. Opportunities should be provided to review goals periodically. If necessary, they should be updated to reflect the general desires of stakeholders.
- 3.2.4 Notes: To be effective, broad goals need to be actively discussed on an ongoing basis. Stakeholders also need to understand how these goals relate to policies, action plans, and resource allocation decisions. In disseminating goals, a government should encourage feedback from stakeholders, both on the goals themselves and on related policies and practices.

PRINCIPLE 2 - DEVELOP APPROACHES TO ACHIEVE GOALS

This principle provides for the establishment of specific policies, plans, programs, and management strategies necessary for the government to achieve its long-term goals. While broad goals set the general direction of a government, it is the policies, plans, and programs that define how the government will go about accomplishing these goals. As such, the development of policies and programs must explicitly consider how they contribute to the achievement of the government's broad goals. Policy and program goals should relate, where appropriate, to broad goals. Measures should be developed to determine the progress being made by the government in achieving goals.

4 *Element 4 - Adopt Financial Policies*

A government should develop a comprehensive set of financial policies. Financial policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies also should be consistent with each other and relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans and the budget. All other adopted budgetary practices of a government should be consistent with these policies.

PRACTICES

4.1 Develop policy on Reserve funds

- 4.1.1 Practice: A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes.

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- 4.1.2 Rationale: Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.
- 4.1.3 Outputs: The policies should establish how and when a government builds up reserve funds and should identify the purposes for which they may be used. Development of a policy on minimum and maximum reserve levels may be advisable. Policies on reserve funds should be publicly available and summarized in materials used in budget preparation. They also should be identified in other government documents, including planning and management reports.
- 4.1.4 Notes: Reserve funds are called by many names including rainy day funds, unreserved, undesignated fund balances, and contingency funds. These funds may be used at a government's discretion to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities. They provide flexibility to respond to unexpected opportunities that may help a government achieve its goals. Policies on the use of these funds may also be tied to an adverse change in economic indicators (such as declining employment or personal income) to ensure that the funds are not depleted before an emergency arises. The minimum and maximum amounts to be accumulated may be based on the types of revenue, the level of uncertainty associated with revenues, the condition of capital assets, or the government's level of security with its financial position. Reserve funds may be constrained by state or local laws. Legally required reserves should be distinguished from discretionary reserves.

4.2 Develop policy on fees and charges

- 4.2.1 Practice: A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided.
- 4.2.2 Rationale: Policies that require identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.
- 4.2.3 Outputs: Policies may address a requirement to review all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-services studies will be undertaken. Stakeholders should be given an opportunity to provide input into formulation of these policies. Policies on fees and charges should be publicly available and summarized in materials used in budget preparation. They should also be identified in other government documents, including planning and management reports.
- 4.2.4 Notes: Costs of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service). A government may choose not to recover all costs, but it should identify such costs. Reasons for not recovering full costs should be identified and explained. State and local law may govern the establishment of fees and charges.

4.3 Develop policy on debt issuance and management

- 4.3.1 Practice: A government should adopt policies to guide the issuance and management of debt.

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- 4.3.2 Rationale: Issuing debt commits a government's revenues several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to a debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.
- 4.3.3 Outputs: Elements of policies on debt issuance and management include: purposes for which debt may be issued; matching of the useful life of an asset with the maturity of the debt; limitations on the amount of outstanding debt; types of permissible debt; structural features, including payment of debt service and any limitations resulting from legal provisions or financial constraints; refunding of debt; and investment of bond proceeds. Legal or statutory limitations on debt issuance should be incorporated into debt policies. Debt policies should be made available to the public and other stakeholders. Because these policies are essential to budget decision making, particularly capital budgets, they should be reviewed by decision makers during the annual budget process and summarized in the budget document. The legislative body should formally adopt debt policies and compile them with other financial policies.
- 4.3.4 Notes: Debt policies should be integrated with other financial policies, particularly operating and capital budget policies. The policies should reflect statutory and legal requirements as well as the government's financial condition and philosophy. The GFOA has adopted a recommended practice on the development of a debt policy.

4.4 Develop policy on debt level and capacity if not defined in statutes

- 4.4.1 Practice: A government should adopt a policy on the maximum amount of debt and debt service that should be outstanding at any one time.
- 4.4.2 Rationale: Policies guiding the amount of debt that may be issued by a government help ensure that outstanding and planned debt levels do not exceed an amount that can be supported by the existing and projected tax and revenue base.
- 4.4.3 Outputs: A government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body.
- 4.4.4 Notes: Policies on debt level and capacity should be developed in accordance with an analysis of debt capacity. Factors that are recommended in evaluating debt capacity include current financial capacity, projected future capacity, statutory and constitutional limitations, and bond covenants. The GFOA has adopted a recommended practice on analysis of debt capacity. Also, the International City/County Management Association publication Evaluating Financial Condition provides a set of indicators that can be used to evaluate debt capacity.

4.5 Develop policy on use of one-time revenues

- 4.5.1 Practice: A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures.

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- 4.5.2 Rationale: By definition, one-time revenues cannot be relied on in future budget periods. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources.
- 4.5.3 Outputs: One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process. The policy, and compliance with it, should be reviewed periodically.
- 4.5.4 Notes: Examples of one-time revenues include: infrequent sales of government assets, bond refunding savings, infrequent revenues from development, and grants. These revenues may be available for more than one year (e.g., a three-year grant), but are expected to be non-recurring. Examples of expenditures for which a government may wish to use one-time revenues include startup costs, stabilization (e.g., to cover expenditures that temporarily exceed revenues), early debt retirement, and capital purchases. Uses that add to the ongoing expenditure base should be carefully reviewed and minimized, e.g., capital expenditures that significantly increase ongoing operating expenses without a sustainable and offsetting long-term revenue plan. Certain variable components of major revenue sources are similar to one-time revenue sources. While they may be addressed in a one-time revenue policy, they also may be considered separately. (See practice entitled Evaluate the Use of Unpredictable Revenues.)

4.6 Evaluate the use of unpredictable revenues

- 4.6.1 Practice: A government should identify major revenue sources it considers unpredictable and define how these revenues may be used.
- 4.6.2 Rationale: Unpredictable revenue sources cannot be relied on as to the level of revenue they will generate. Particularly with major revenue sources, it is important to consider how significant variation in revenue receipts will affect the government's financial outlook and ability to operate programs in the current and future budget periods.
- 4.6.3 Outputs: For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generates revenues substantially higher or lower than projected. The plans should be publicly discussed and used in budget decision making.
- 4.6.4 Notes: Many of the most important revenue sources relied on by state and local governments are unpredictable to some degree. Examples may include intergovernmental revenues, inheritance taxes, taxes on mineral production, interest income, sales and use tax, lottery revenues, and revenues subject to future judicial rulings. These revenues are often used to fund ongoing programs. A financial plan for governments should take into account the unpredictable nature of key revenues. This ensures that a government understands the potential impact on its ability to cover service costs and develops contingency plans in advance to address unpredictable revenue fluctuations. Specific allocation and contingency plans do not have to be developed for all unpredictable revenues, but become increasingly necessary as the size or unpredictability of the

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revenue source increases. This practice may address or refer to a separate policy on the use of stabilization funds. (See practices entitled Develop Policy on Stabilization Funds and Develop Policy on Contingency Planning.)

4.7 Develop policy on balancing the operating budget

- 4.7.1 Practice: A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- 4.7.2 Rationale: A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. At a minimum, balance should be defined to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period. A more stringent definition requires that a government maintain a balance between operating expenditures and operating revenues over the long term, not just during the current operating period. This latter definition of balance is referred to as structural balance, and is the goal of this practice.
- 4.7.3 Outputs: The policy should provide clear definition as to how budgetary balance is to be achieved. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) should be explicitly identified. All funds should be included. Statutory and other legal "balanced" budget requirements should be met, but this practice recommends additional policies and practices, if necessary, to achieve and report on structural balance. The policy should explicitly note and, if necessary, explain the relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government. The policy also should identify the circumstances when deviation from a balanced budget may occur. The policy should be written in nontechnical language or have a nontechnical summary. Because of its importance in budget decisions, it should be readily available to stakeholders and publicly discussed at key points in the budget process. Compliance with the policy should be reviewed and disclosed during each budget period.
- 4.7.4 Notes: Some states and local governments define resources and resource uses to include fund balance or changes to fund balances. There may be statutory or other requirements that a budget must be balanced based on this definition. These types of statutory balanced budget requirements are a component of and not in conflict with the goal of achieving structural balance. Additional or even separate reporting may be required to demonstrate that both statutory balance and structural balance have been achieved. This practice does not directly apply to capital budgets. Capital budgets are often funded at least partially from one-time resources. However, the ongoing maintenance or replacement of capital equipment or facilities is an important part of the budget process. Such items, particularly maintenance or equipment replacements, are often defined as operating items to ensure their inclusion in operating budget decisions.

A balanced budget policy may include the following:

- Identification of and rationale for what operating resources and resource uses are included or excluded from the definition of a balanced budget calculation. For example, does the calculation include operating revenues and expenditures only; does it include capital maintenance or replacement; does it include interfund transfers; and does it include

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- highly variable components of ongoing revenues (such as the volatile component of sales tax revenues or development-related revenue).
- The circumstances when fund balances may be used as a resource.
 - The point(s) at which the budget must be balanced, e.g., upon adoption, throughout the year, or at year-end.
 - The accounting basis (cash, accrual, other) that is used to define revenues and expenditures.
 - The circumstances in which noncompliance with the balanced budget policy is permitted (e.g., during the early stages of an economic downturn so that services can be reduced in an orderly fashion).
 - The official, agency, or legislative body (or combination of authorities) responsible for making any necessary decisions on whether or not a budget is in balance.
 - The authority that must take action to bring the budget into balance if adjustments are needed in the course of a fiscal period.

4.8 Develop policy on revenue diversification

- 4.8.1 Practice: A government should adopt a policy that encourages a diversity of revenue sources.
- 4.8.2 Rationale: All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and rate payers. A diversity of revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.
- 4.8.3 Outputs: The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues. The policy and the approach to implementation should be periodically reviewed.
- 4.8.4 Notes: Over time a government should strive to improve its revenue diversity to the extent feasible. When a government is statutorily or otherwise limited as to the types of revenues it may raise, it should consider options to enhance flexibility within the constraints of available revenue sources. For example, governments that must rely heavily on property taxes may seek to diversify the tax base on which the property tax is levied. A government should recognize that changes in the diversity of revenue sources can affect the relative tax burden on different stakeholders.

4.9 Develop policy on contingency planning

- 4.9.1 Practice: A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.
- 4.9.2 Rationale: When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of a government to take timely action and aids in the overall management of such situations.
- 4.9.3 Outputs: This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and

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management impacts. The policy should be publicly discussed and reviewed periodically.

- 4.9.4 Notes: Policies on contingency planning are used as a general guide when an emergency or unexpected event occurs. A set of actions and strategies will be identified for each type of situation. Examples of financial emergencies that require contingency plans are sudden and severe decreases in locally collected revenues or intergovernmental aid, and unexpected major capital maintenance requirements. Development of a contingency plan in advance of such situations may be viewed positively by the rating agencies when evaluating a government's credit quality. It can also help expedite relief efforts when an emergency does occur and allow the government to recover funds more quickly or more effectively in the event of a natural disaster. (See practice entitled Develop Policy on Stabilization Funds.)

5 *Element 5 - Develop Programmatic, Operating and Capital Policies and Plans*

A government should develop policies and plans to guide service provision and capital asset acquisition, maintenance, replacement, and retirement. These policies and plans give direction to the government regarding the level of services and types of capital assets to be provided, and the manner in which the services and capital assets will be provided. They should be integrated with the government's broad goals and its service and capital needs. They may include the development of standards for service provision and capital asset condition and maintenance. Policies and plans also should be consistent with each other. The practices associated with this element and those of Element 6 are closely related and will involve an iterative process.

PRACTICES

5.1 Prepare policies and plans to guide the design of programs and services

- 5.1.1 Practice: A government should develop and adopt policies and plans to guide the design of specific programs and services.
- 5.1.2 Rationale: Service and program policies and plans translate broad goals into strategies for achieving goals. These policies and plans provide the basis for designing specific programs and services.
- 5.1.3 Outputs: Program and service policies and plans may address items such as: groups or populations to be served, service delivery issues, examples of possible programs, standards of performance (including level of service standards or other measures to gauge success), expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision. Policies and plans should be adopted by the governing body and made publicly available.
- 5.1.4 Notes: A clear, well-documented statement of policies and plans in broad program and service areas becomes particularly important when goals cross organizational and program lines. For example, a goal to revitalize the downtown or to promote rural development could result in multi-departmental programs addressing job creation, transportation, housing, and health care.

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5.2 Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement

- 5.2.1 Practice: A government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement.
- 5.2.2 Rationale: Policies and plans for acquisition, maintenance, replacement, and retirement of capital assets help ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance.
- 5.2.3 Outputs: Policies may address inventorying capital assets and evaluating their condition, criteria for acceptable condition, criteria for continued maintenance versus replacement or retirement of an existing asset, and identification of funding for adequate maintenance and scheduled replacement of capital assets. Plans should be developed to establish ongoing, multi-year replacement and renewal schedules, and should recognize the linkage of capital expenditures with the annual operating budget. Stakeholders should have an opportunity to provide input as capital asset policies and plans are formulated. Once adopted, the policies and plans should be made publicly available, particularly as set forth in budget, management, and planning documents. Policies and plans should be incorporated into decision making in the budget process.
- 5.2.4 Notes: Capital asset acquisition, maintenance, replacement, and retirement policies provide a basis for formulating long-range plans to address capital needs. These policies should be realistic if they are to be used in decision making. Information gathered through processes described in the practice entitled Assess Capital Assets, and Identify Issues, Opportunities, and Challenges can be helpful in formulating the policies and plans.

6 *Element 6 - Develop Programs and Services That Are Consistent with Policies and Plans*

A government should develop and evaluate programs, services, and capital assets. Because there may be times when a government's policies and plans are best achieved by having other entities besides the government provide services or capital infrastructure, an analysis of service delivery and capital acquisition alternatives is an integral part of the program evaluation process. Performance measures should be developed to determine whether program and service goals are being met.

PRACTICES

6.1 Develop programs and evaluate delivery mechanisms

- 6.1.1 Practice: A government should develop programs and services that are consistent with policies and plans and should evaluate alternative delivery mechanisms.
- 6.1.2 Rationale: Programs and services are the means by which a government addresses priorities established through its policies and plans. An evaluation of delivery alternatives for services and programs helps ensure that the best approach is selected for delivering a service.
- 6.1.3 Outputs: A government should institute a process to develop new programs and services and review existing ones in the context of how well they meet programmatic and operating policies and plans. All programs should have measurable goals that relate to goals established for the more general policies and plans. The process should include an

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examination of how a government traditionally provides the service. It also should consider whether the service could be delivered more effectively or more efficiently if provided in a different way, either by the government itself or by entities outside of the government.

- 6.1.4 **Notes:** Ideally, programs and services will be developed after the adoption of program policies and plans. Once a program has been developed, however, periodic review is necessary to ensure that it remains consistent with a government's general policies and plans. Considerations in evaluating service delivery mechanisms, whether provided directly by a government or contracted out, include:
- Cost of service, including short- and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact on costs of other government services.
 - Service quality and control, including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual nonperformance and default.
 - Management issues, including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery.
 - Financial issues, including impact on outstanding debt and grant eligibility. Impact on stakeholders, including government employees, customers, and taxpayers.
 - Statutory and regulatory issues, including impact on federal and state legal and regulatory requirements, and liability.

6.2 Develop options for meeting capital needs and evaluate acquisition alternatives

- 6.2.1 **Practice:** A government should develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies and should evaluate alternatives for acquiring the use of capital assets.
- 6.2.2 **Rationale:** Capital project planning is necessary to give adequate consideration to longer-range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the community. An evaluation of alternative mechanisms helps ensure that the best approach for providing use of a capital asset or facility is chosen based on the policies and goals of the government.
- 6.2.3 **Outputs:** A government should have a process that identifies capital projects that are needed to achieve goals and a general time frame in which these assets will be needed. This assessment should consider need, life cycle costs (including operating costs), impact on services, beneficiaries of the project, financing issues, and other impacts. Plans for acquiring capital assets should be part of or consistent with land use, transportation, or other long-range plans of the community or area. Options for acquiring the use of capital assets and facilities should be examined. In some cases, the process for evaluating capital acquisition alternatives is linked with a corresponding process for evaluating service delivery alternatives.
- 6.2.4 **Notes:** This practice is intended to encourage a government to consider whether capital project proposals (including retirement of assets) meet policies and plans. Periodic reviews of existing projects and facilities in relation to goal attainment also should be undertaken when deciding

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whether to maintain, renovate, replace, or abandon those facilities.

Considerations in evaluating acquisition mechanisms include:

- Costs, including both capital and operating costs, impact on rates and charges, and impact on costs of other government services.
- Effects on service, including technical and financial capabilities of the entity that owns the asset, ability to control the use of the asset (including expanding or contracting the facility), ability to maintain the asset, and risk of contractual nonperformance and default.
- Management issues, including maintaining oversight of the asset and related services and operations, impact on economic growth and development, impact on service coordination, and public access to information.
- Financial issues, including availability of cash, budgetary impacts, impact on outstanding debt, and grant eligibility.
- Impact on stakeholders such as government employees, customers, and taxpayers.
- Statutory and regulatory issues, including impact on federal and state legal and regulatory requirements, and liability.

6.3 Identify functions, programs, and/or activities of organizational units

- 6.3.1 Practice: The functions, programs, and/or activities of the government's organizational units should be identified.
- 6.3.2 Rationale: Clear identification of the functions, programs, and/or activities of organizational units assists those reviewing or evaluating the government develop a better understanding of the role of each organizational unit, and it aids in evaluating the services it provides. Explicit descriptions of these items also help employees of the government better understand the tasks for which they are responsible.
- 6.3.3 Outputs: Descriptions of the purpose and roles of organizational units should be published using appropriate technology and made available to policy makers, management, employees, citizens, and other stakeholders. This documentation should be prepared with stakeholder involvement and review in order to ensure that employees as well as other stakeholders understand the responsibilities of each organizational unit and its relationship to other units. Any organizational unit for which resources are allocated through the budget process should also have its basic purpose and roles described in the budget document. Descriptions of organizational units should include the major functional relationships to other organizational units.
- 6.3.4 Notes: Identification of what organizational units do is an important task of a government. Preparation of these descriptions can be undertaken at any time and updated when necessary and appropriate.

6.4 Develop performance measures

- 6.4.1 Practice: A government should develop and utilize performance measures for functions, programs, and/or activities.
- 6.4.2 Rationale: Performance measures are used for assessing how efficiently and effectively functions, programs, and activities are provided and for determining whether program goals are being met.
- 6.4.3 Outputs: Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable

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terms. Measures should be reported in periodic reviews of functions and programs and should be integral to resource allocation decisions. They also should be reported in the budget document and may be reported in separate management reports or reports to citizens. Different aggregations of performance measures may be appropriate for different audiences.

- 6.4.4 Notes: There are several types of performance measures: inputs (resources), outputs, efficiency, and effectiveness (outcomes). Each of these types of measures serves a purpose, although only the measures of efficiency and effectiveness truly report on performance. Sources of data for performance measures include existing records, trained observer readings, and surveys.
- Performance measures can help managers direct and manage an organization. They also provide tools for managers to determine the most appropriate tasks to perform. It is often easier to focus on achieving goals and objectives if they can be expressed as the achievement of quantifiable measures. Care should be taken to minimize potential problems such as misinterpretation, misdirection of a program and its staff as a result of poor or incomplete measures, costly data collection, and measures that are affected by uncontrollable environmental factors. A good performance measurement system will avoid the inclusion of so many measures that they become overwhelming and difficult to interpret. A government should periodically review its performance measurement system and make improvements in terms of the measures used, data collection, analysis, and reporting.

6.5 Develop performance benchmarks

- 6.5.1 Practice: Performance benchmarks should be developed to aid in assessing how well a function, program, and/or activity is provided and how well it meets needs.
- 6.5.2 Rationale: Performance benchmarks are comparative standards of performance and provide a frame of reference for evaluating program and service quality and cost-effectiveness. They are used as a basis against which to compare performance measures of functions, programs, and activities.
- 6.5.3 Outputs: Benchmarks can be developed to allow performance comparisons with other service providers, whether within the government, with other governments, or with private providers. External benchmarks (those providing comparison with outside service providers) can be beneficial to overall evaluation, especially if valid comparisons can be made with the best service providers. Internal benchmarks (comparisons to alternatives within the government) will provide somewhat less information, but there may be fewer problems with consistency of data. When selecting any type of benchmark, it is important to consider how closely it relates to stated program and service goals. Benchmarks should be consistently defined and measurable. Performance benchmarks and the measures being compared should be included in management reports and reports to stakeholders.
- 6.5.4 Notes: Performance benchmarks, along with an accompanying review of each chosen provider's service approach, can be helpful in making improvements. These comparisons may provide valuable information and insight to policy makers, managers, and other stakeholders that can be used to guide the direction of a function, program, or activity. Performance benchmarks also help stakeholders better assess whether government performance in a particular area is acceptable or could be

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improved. Benchmark comparisons should be undertaken carefully to avoid misinterpretation resulting from differences in the scope of the function, program, or activity used for comparison; the environment in which the service operates; and measurement techniques. The use of accompanying explanatory information helps avoid invalid comparisons.

7 Element 7-Develop Management Strategies

A government should develop appropriate management strategies to enhance its ability to successfully execute the budget and to achieve long-range goals. Management strategies are necessary to facilitate achievement of both programmatic and financial goals, and to promote budgetary compliance. The choice of budget type and manner of presentation affects the information available to management and other decision makers, issues that will be raised, and level of control.

PRACTICES

7.1 Develop strategies to encourage attainment of program and financial goals

- 7.1.1 Practice: A government should develop an organizational structure and management strategies to encourage attainment of program and financial goals.
- 7.1.2 Rationale: Goals are more likely to be achieved if organizational and management strategies are developed to support and encourage organizational and individual performance directed toward goal attainment.
- 7.1.3 Outputs: A government should develop, review, improve, and implement strategies that encourage the organization and its employees to work toward achievement of goals. These strategies include both positive incentives and penalties. They also include support systems such as technology support, education, and training. When developing these strategies, opportunities should be provided for input from those who will be affected.
- 7.1.4 Notes: While this practice is intended to address strategies that focus on both rewards and penalties, it is expected that emphasizing rewards will produce more beneficial results for the organization. Each government may have unique approaches and strategies for goal attainment.

7.2 Develop mechanisms for budgetary compliance

- 7.2.1 Practice: A government should have mechanisms in place to ensure compliance with the adopted budget.
- 7.2.2 Rationale: Appropriate management processes and systems allow a government to detect and correct significant deviation if it occurs.
- 7.2.3 Outputs: Mechanisms should be in place to detect and correct deviations from the budget. These measures may be as simple as a requirement (supported by appropriate rewards and penalties) that managers not go over budget. Budgetary compliance is encouraged through use of data collection and reporting systems that control disbursements of funds and that facilitate the evaluation of revenue and expenditure trends and financial projections. Development of a monthly or quarterly revenue and spending plan against which to compare actual results and contingency plans to address significant deviation if it occurs should also be considered. Mechanisms usually also include the assignment of budget or finance personnel to conduct monthly or quarterly reviews of trends in

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actual expenditures and revenues and actual-to-budget comparisons so that timely corrective action can be taken. A government should institute procedures to review the budget periodically (e.g., quarterly) and decide on actions to bring the budget into balance, if necessary. (See practice entitled Develop Policy on Contingency Planning.)

- 7.2.4 Notes: Deviations caused by external factors or "big picture" issues are not as susceptible to management control and are not the focus of this practice. However, effective mechanisms to control the financial aspect of the budget may help detect these external issues so that adjustments can be made to comply with the adopted budget. This practice is intended to apply to all components of the organization.

7.3 Develop the type, presentation, and time period of the budget

- 7.3.1 Practice: A government should choose the type of budget, the manner in which it will be presented, and time period covered by the budget that best fit its needs.
- 7.3.2 Rationale: The type of budget, the time period covered, and the manner of presenting materials in the budget documents can have a significant practical impact on a government's approach to planning, control, and overall management of its programs, services, and finances, and on the quality of information provided to stakeholders.
- 7.3.3 Outputs: The outputs of this practice are the type of budget selected (line-item, program, modified zero-base, other, or some combination), the time period covered (annual, biennial, multi-year), and the physical form of the budget and related documents. A formal review should be undertaken periodically to ensure that the budget type, time period, and approach to presenting the budget continue to meet the needs and priorities of the government. Such a review should be broadly focused, and not directed simply at the format of individual pages.
- 7.3.4 Notes: The main types of budgets are line-item and program budgets. Line-item budgets focus primarily on the inputs to be purchased, while program budgets focus on the outputs and outcomes to be achieved with a given level of resources. Some governments also present parts of the proposed budget in a decision package format, displaying varying amounts or quality of service that can be provided with different amounts of resources. The choice of budget type and presentation style will influence the nature of the questions asked during budget review. Legal and other constraints may partially dictate the approach to presenting the budget.

PRINCIPLE 3 - DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS

This principle provides for the preparation of a financial plan, a capital improvement plan, and budget options. Development of a long-range financial plan is essential to ensure that the programs, services, and capital assets are affordable over the long run. Through the financial planning process, decision makers are able to better understand the long-term financial implications of current and proposed policies, programs, and assumptions and decide on a course of action to achieve its goals. These strategies are reflected in the development of a capital improvement plan and options for the budget.

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8 *Element 8 - Develop a Process for Preparing and Adopting a Budget*

A government should establish an administrative structure that facilitates the preparation and approval of a budget in a timely manner. Procedures should be established for ensuring coordination of the budget process. A process is also needed to develop and communicate the policies and guidelines that will guide budget preparation. In order for the budget to be adopted in a timely manner, processes should be developed to assist stakeholders in understanding tradeoffs and to help decision-makers make choices among available options. The processes should include reporting to, communicating with, involving, and obtaining the support of stakeholders.

PRACTICES

8.1 Develop a budget calendar

- 8.1.1 Practice: A government should publish a comprehensive budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks.
- 8.1.2 Rationale: Stakeholders need to be aware of when key budget tasks, events, and decisions will occur so they have an opportunity to plan and to participate in the process. The preparation of a calendar helps ensure that all aspects of the budget process have been considered and that adequate time has been provided.
- 8.1.3 Outputs: Multiple calendars will usually need to be produced, each with different levels of detail and emphasis to meet the needs of the different types of stakeholders. Calendars should list the dates of key events and deadlines. At least one calendar should describe the overall budget and planning process and identify roles, responsibilities, and assignments. To ensure the greatest impact, calendars should identify when and how stakeholders can participate in the process.
- 8.1.4 Notes: Budget calendars are a tool to keep participants in the process on track. Statutory deadlines should be highlighted. The calendar should make clear the relationships between various processes and should be developed to coordinate these processes. For example, a calendar may illustrate the relationship of the operating and capital budget processes, or the processes of revenue forecast revision and budget reconciliation. The development of a budget calendar is typically guided by statutory deadlines. Calendar development should also take into account other key organizational dates that affect participants in the budgetary process. The practice entitled Develop Mechanisms for Coordinating Budget Preparation and Review addresses the role of the calendar in providing overall coordination.

8.2 Develop budget guidelines and instructions

- 8.2.1 Practice: A government should prepare general policy guidelines and budget preparation instructions for each budget cycle.
- 8.2.2 Rationale: Budget guidelines and instructions help ensure that the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body. Instructions are necessary so that all participants know what is expected, thereby minimizing misunderstanding and extra work.
- 8.2.3 Outputs: Budget guidelines are specific to the particular budget under development and should incorporate relevant aspects of the government's financial policies. They may set forth financial constraints and key assumptions that will be used to guide development of the budget, as well as policy direction. Instructions often include sample forms to be completed by operating departments or program heads. Guidelines and instructions should be prepared in a written format but may also be presented in an electronic format or through training and/or

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an oral presentation. Involving stakeholders in guideline development, where possible, helps promote buy-in.

- 8.2.4 Notes: In developing budget guidelines and instructions, a government should consider the role played by the various stakeholders such as departments within the government or other agencies that are involved in budget preparation. Involving stakeholders may be accomplished by holding meetings in which administrative staff and selected internal and external stakeholders help develop the processes and general directions provided to budget preparers. Given time and resource constraints, full stakeholder input may not be practical.

8.3 Develop mechanisms for coordinating budget preparation and review

- 8.3.1 Practice: A government should develop mechanisms and assign responsibilities to provide for overall coordination of the preparation and review of the budget.
- 8.3.2 Rationale: The complete budget process involves many levels, departments, and individuals in a government, as well as a number of distinct processes and disparate groups of stakeholders. Coordination is needed to ensure that processes move forward as planned, to prevent confusion and misinformation, and to ensure appropriate stakeholders are involved.
- 8.3.3 Outputs: A single point of coordination is often appropriate in local governments, although individual components of the process may be coordinated by different individuals or departments. For state governments, coordination of the executive and legislative processes may be provided separately. The coordination process involves a number of tasks: developing a calendar, identifying responsibilities for completing various tasks, ensuring that various parts of the budget process are properly integrated, keeping the process on schedule, producing reports, identifying issues and problems, and ensuring that other requirements are met and quality standards are maintained. The person(s) assigned responsibility for coordinating the budget process should respond to stakeholder issues and concerns that arise in the context of the budget process.
- 8.3.4 Notes: The assignment of coordination responsibility does not necessarily imply overall decision-making authority. However, at a minimum, the coordinating person(s) should have immediate access to decision makers, as many issues typically come before the coordinator for resolution. Coordination mechanisms may be established for inter-governmental interaction and legislative/executive branch interaction.

8.4 Develop procedures to facilitate budget review, discussion, modification, and adoption

- 8.4.1 Practice: A government should develop and implement a set of procedures that facilitate the review, discussion, modification, and adoption of a proposed budget.
- 8.4.2 Rationale: Appropriate procedures are needed to resolve conflicts, to promote acceptance of the proposed budget by stakeholders, and to assist in timely adoption of the budget.
- 8.4.3 Outputs: A series of processes should be developed that permit stakeholders to satisfy themselves as to the appropriateness of the budget proposal and to allow the legislative body to achieve consensus and adopt a budget. These processes should be summarized in budget materials. Some examples include: small group meetings, hearings,

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workshops, independent analysis, specific decision-making techniques and procedures, conflict resolution processes, and methods for presenting portions of the budget.

- 8.4.4 **Notes:** Discussion will inevitably be needed regarding the tradeoffs and choices that need to be made. Issues can be more satisfactorily addressed to the extent that there are clear and accepted processes for considering options and reaching the compromise position that most budgets inevitably represent. Consistency over time in the budget review and adoption process is important, but it is also essential to recognize that as the makeup of the administration and legislative body changes, the process may need to be adjusted.

8.5 Identify opportunities for stakeholder input

- 8.5.1 **Practice:** A government should provide opportunities in the budget process for obtaining stakeholder input.
- 8.5.2 **Rationale:** By definition, stakeholders are affected by a government's resource allocation plans and service and program decisions. Stakeholders should have clearly defined opportunities to provide input. This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget.
- 8.5.3 **Outputs:** Stakeholder input can be obtained in a number of ways, including public hearings, advisory commissions, informal conversations, round-table briefings, TV and video presentations, opinion surveys, neighborhood meetings, office hours, letter writing, telephone calls, and e-mail. The approaches are likely to differ with the size of the government. The budget calendar should identify specific opportunities for citizen input where government officials are available to explain issues and choices and to receive comments.
- 8.5.4 **Notes:** The budget process should include opportunities for all stakeholders to participate. A general-purpose public hearing shortly before final decisions are made on the budget is not adequate as the sole means of soliciting stakeholder input, especially on major issues. The process developed for obtaining stakeholder input should ensure that information is gathered in a timely and complete manner to be useful in budget decision making.

9 *Element 9 - Develop and Evaluate Financial Options*

A government should develop, review, and update long-range financial plans and projections. The information obtained from these plans and projections is used in determining the resource and expenditure options available for the budget period and the implications of those options. This element does not address decisions on a specific set of programs and services to be funded through the budget.

PRACTICES

9.1 Conduct long-range financial planning

- 9.1.1 **Practice:** A government should provide opportunities in the budget process for obtaining stakeholder input.
- 9.1.2 **Rationale:** Financial planning expands a government's awareness of options, potential problems, and opportunities. The long-term revenue, expenditure, and service implications of continuing or ending existing programs or adding new programs, services, and debt can be identified. The financial planning process helps shape decisions and permits

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necessary and corrective action to be taken before problems become more severe.

- 9.1.3 Outputs: The planning process results in the preparation of a financial plan consisting of various components such as an analysis of financial trends; an assessment of problems or opportunities facing the jurisdiction and actions needed to address these issues; and a long-term forecast of revenues and expenditures that uses alternative economic, planning, and policy assumptions. The financial plan identifies key assumptions and choices related to achievement of goals. The plan may be summarized in the budget document or in a separate report. It should be available to decision makers for their review in making choices and decisions related to the budget process. It should also be shared with stakeholders for their input.
- 9.1.4 Notes: A financial plan illustrates the likely financial outcomes of particular courses of action or factors affecting the environment in which the government operates. A financial plan is not a forecast of what is certain to happen but rather a device to highlight significant issues or problems that must be addressed if goals are to be achieved.

9.2 Prepare revenue projections

- 9.2.1 Practice: A government should prepare multi-year projections of revenues and other resources.
- 9.2.2 Rationale: Projection of revenues and other resources is critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. Preparing revenue projections also enhances a government's understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to tax rates or fees.
- 9.2.3 Outputs: Revenue projections developed for financial planning purposes should extend over a period of at least three years into the future or longer if necessary to evaluate how revenues may change over time, to isolate non-recurring revenues, or to understand the impact of revenues when fully phased in. A government may produce a single revenue projection or projections under alternative scenarios; alternatively, the forecast may be stated in terms of a range of values. Major assumptions should be prominently identified. Projections should be available to participants in the budget process before budgetary decisions are made. One or more updated projections should be available during the budget period to avoid unintended deviation from balanced-budget requirements.
- 9.2.4 Notes: Particular attention should be paid to major revenue sources. Trend analysis, econometric modeling, and other methods should be used, as appropriate, depending on the type of revenue being projected, the availability of data, and the time frame covered by the projections. Other factors to evaluate are the variance between the previous period's actual and forecasted revenues and any changes to revenue sources such as would occur with a rate or base change. Forecasting variances should be analyzed to improve forecasting in future periods. Preparing projections under different assumptions (e.g., economic assumptions, demand), particularly in the development of a financial plan, permits decision makers to consider the level and mix of taxes, user fees, and other revenues that would need to be raised to provide various levels of service.

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Revenue projections should generally strive for accuracy by coming as close as possible to the actual outcome. However, the forecasting of sharp turns in national, state, or local economies is problematic. As a result, actual outcomes may be different from projections, particularly for revenue streams dependent upon consumption and income.

9.3 Analyze major revenues

- 9.3.1 Practice: A government should maintain an in-depth understanding of its major revenues.
- 9.3.2 Rationale: A large unexpected variance in a major revenue source is usually a major problem, but even a relatively small variance in a major revenue source can have a significant impact. The better the ability of a government to predict these changes, or at least their direction, the less disruptive these changes will be. In addition, improved estimation of these revenues will enhance the confidence of stakeholders in the overall revenue projection.
- 9.3.3 Outputs: An analysis of major revenue sources should identify factors that have influenced historical collections, forecasting assumptions, and any problems or concerns. Any trends should also be identified, along with an analysis of whether or not the trend is likely to continue. The analysis can be summarized in a separate document or used as an input into an overall revenue projection. Significant changes to major revenue sources (projected and actual) should be highlighted in the budget document.
- 9.3.4 Notes: Changes in revenue sources may be due to economic, legal, environmental, demographic, or other reasons. In-depth revenue analysis for revenue sources that provide a substantial portion of total resources is often useful for more than budgetary projections. Issues may be uncovered in advance, permitting the government to develop options and take action in a timely manner to avoid a crisis. See also practice entitled Evaluate the Effect of Changes to Revenue Source Rates and Bases.

9.4 Evaluate the effect of changes to revenue source rates and bases

- 9.4.1 Practice: A government should evaluate and understand the effect of potential changes to revenue source rates and bases.
- 9.4.2 Rationale: Changes in rates and fees of revenue sources and revenue bases may be made by a government for a variety of reasons (e.g., to increase or decrease revenue) or may happen outside of the control of a government. Understanding the effects of such changes, in terms of expected revenue collections or other impacts, in advance of the changes will increase understanding about the outcome, enhance decision making, and provide a better opportunity to plan for the changes.
- 9.4.3 Outputs: Analyses of the effect of pending or potential changes to revenue sources may be undertaken as part of the budget process or may be undertaken as warranted. The results of these analyses should be available to stakeholders. In any event, they should be presented as part of any proposed decision on changes to revenue source rates and bases.
- 9.4.4 Notes: Factors to consider in analyzing changes to revenue sources are: legal and statutory issues; affordability to taxpayers or rate-payers; political implications; expected revenue impact; and impact on competitive position, including the effect of the changes on stakeholder decisions (e.g., location of a business or use of a service). Policies on

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fees and charges, including the percentage of service costs to be covered by user fees, should be reviewed in adjusting user fees and charges.

9.5 Analyze tax and fee exemptions

- 9.5.1 Practice: A government should periodically estimate the impacts and potential foregone revenue as a result of policies that exempt from payment, provide discounts and credits, or otherwise favor particular categories of taxpayers or service users.
- 9.5.2 Rationale: Periodic review of current or proposed exemptions and fees is necessary to verify their desirability, their potential benefits and costs, and the extent to which they benefit certain stakeholders more than others.
- 9.5.3 Outputs: Outputs include routine analyses and reports that define each exemption and estimate foregone revenues. It is important to make the results of analysis publicly available. Tax and fee exemptions tend to be politically sensitive issues and often involve highly vocal, well-established interests. An appropriate context and venue for the release should be determined that provides an opportunity for review, discussion, and decision making, while minimizing unproductive discord between competing views.
- 9.5.4 Notes: The most efficient tax (one that raises the greatest amount of revenue with the lowest cost of compliance) is one with the broadest base and lowest rate. However, exemptions and discounts from taxes and fees are common for a variety of reasons. Tax and fee exemptions may be broadly defined, such as a graduated tax (versus a flat tax), or narrowly defined, such as a homeowner tax exemption. Tax and fee exemptions that are narrowly defined may be more practical to report on and analyze, but more broadly defined exemptions are also appropriate to review occasionally. Analyses and discussions related to tax and fee exemptions may occur at a different time from resource allocation decisions to help ensure that issues pertaining to each are given adequate consideration without competing pressures.

9.6 Achieve consensus on a revenue forecast

- 9.6.1 Practice: A government should develop a process for achieving consensus on the forecast of revenues used to estimate available resources for a budget.
- 9.6.2 Rationale: A process that provides for developing consensus on the revenue forecast is more likely to remove the forecast from ongoing dispute and keep the budget process on track. The process of achieving consensus helps ensure a critical review of assumptions underlying the forecast.
- 9.6.3 Outputs: To achieve consensus, the process for producing the forecast must be trusted by all parties and be clear, open, and consistent. Governments may need to reach consensus within one branch of government, across branches of government (e.g., legislative and executive/administrative), or across different governments (e.g., in cases involving intergovernmental coordination on budgetary decisions). The process developed to achieve consensus should recognize where problems are likely to emerge and be structured accordingly.
- 9.6.4 Notes: The process for achieving a revenue forecast consensus will vary by government. In some cases, representatives of the executive and legislative branches will collaborate to produce the forecast. Another approach relies on sources outside the government to produce a

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forecast. The outside sources may be perceived as more objective or more expert, such as academic and/or private sector economists. A consensus forecasting process is increasingly being used by state governments. Despite the benefits of achieving consensus on a forecast, political realities may not always make it possible to do so for every aspect of the forecast. Moreover, not all revenues necessarily need to be included in the consensus forecast. For example, for enterprise types of operations with revenues driven by service levels, it may not make sense to achieve consensus on a forecast prior to consideration of expenditure issues.

9.7 Document revenue sources in a revenue manual

- 9.7.1 Practice: A government should prepare and maintain a revenue manual that documents revenue sources and factors relevant to present and projected future levels of those revenues.
- 9.7.2 Rationale: The documentation of revenue sources promotes a better understanding of a government's resources. Revenue documentation is also important as an administrative function, since budget operations often experience fairly frequent staff turnover.
- 9.7.3 Outputs: Documentation of revenue sources in the form of a revenue manual that uses a consistent format for each revenue source is suggested. Major revenue sources are the most important to document. The budget document may also include documentation of major revenue sources, either as summary material or in lieu of a revenue manual. The revenue manual or other documentation should be made available to all interested parties. It should be reviewed and updated at least every budget period.
- 9.7.4 Notes: The format for documentation in a revenue manual could include the following:
 - Title and brief description of the revenue source;
 - Statute section providing authorization and any limitations;
 - Identification of any dedication or "earmarking" of the revenue, whether legislated or by other means;
 - Collection methodology and any collection issues;
 - Definition of the revenue base and tax or rate structure;
 - Accounting information, such as account and fund numbers;
 - Historical information such as legislative history, impact of other laws, rate changes, exemptions, etc.;
 - Historical revenue levels (trends) and projected future levels and the basis for the future projections, along with graphic presentation of trends;
 - Equity impacts on taxpayers or rate-payers; and
 - Effect of changes in economic circumstances or other external factors.

9.8 Prepare expenditure projections

- 9.8.1 Practice: Governments should prepare multi-year projections of expenditures for each fund and for existing and proposed new programs.
- 9.8.2 Rationale: Expenditure projections provide critical information to decision-makers and other stakeholders about whether projected expenditure levels can be sustained, whether new programs are affordable, and whether a program's current and future costs are acceptable compared to program benefits and projected revenue availability.

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- 9.8.3 Outputs: Expenditure projections should extend several years into the future. A period of at least three years (or longer if necessary) is recommended to evaluate how costs may change over time, to isolate non-recurring costs or savings, and to understand the implications of costs once fully phased in. Fund level and government-wide expenditure projections should be prepared and documented so that they may be linked with the accounting system and integrated into overall financial projections. All expenditure projections should identify service level assumptions and key issues that may affect actual expenditures. Expenditure assumptions should also be described in relation to revenue assumptions. A single expenditure projection may be prepared based on one set of assumptions (covering multiple periods); or, multiple projections using alternative sets of assumptions may be prepared in order to more clearly identify the impact of different scenarios. Projections should be available to stakeholders prior to making budget decisions. Inclusion of multi-year projections in a formal budget document, at least in summary form, is recommended.
- 9.8.4 Notes: Assumptions for expenditure projections should be consistent with related revenue and program performance assumptions. A review of expenditure projections for individual programs, particularly those with significant unexpected increases or decreases, is critical. Projections may identify only direct costs or both direct and indirect costs. However, if only direct costs are identified, a discussion accompanying the projections should address indirect impacts. Projections of maintenance and operating costs for any capital expenditures, as well as debt service expenditures, also should be prepared. Documentation should clarify key issues related to expenditures, highlight critical assumptions, and discuss recurring and non-recurring items. Forecasting variances should be analyzed to improve projection methodologies.

9.9 Compare revenue and expenditure options

- 9.9.1 Practice: A government should evaluate revenue and expenditure options together, and consider the implications for other financial indicators prior to making specific choices with regard to the proposed budget.
- 9.9.2 Rationale: Decision makers and other stakeholders should have an understanding of the financial implications of revenue and spending options being considered, including the ability of the government to sustain programs and services in the long run.
- 9.9.3 Outputs: A process should be established for undertaking a comprehensive review of options for program and service levels and projected funding amounts. The review should also include beginning and ending fund balances; changes in fund balances at a fund level, for the government as a whole, and for major programs; and outstanding debt levels. Financial information, both actual and projected, and assumptions used for preparing projections should be documented using appropriate technology to aid this process. At least a summary of the key materials should be incorporated into formal budget documents. Such a summary is often included in sections of the budget document highlighting key issues.
- 9.9.4 Notes: A key component of this process is determining whether a package of revenue and expenditure options being considered for the budget will maintain, erode, or improve a government's financial position in the budget period and longer term. This process also provides an opportunity to consider the degree of revenue diversification, to review

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revenues identified as one-time or unpredictable and their uses, and to evaluate the extent to which program fees cover program costs. This process does not necessarily involve dedicating revenues to support specific programs (other than enterprise operations). Before dedicating revenues, governments should consider any impact such action might have on financial flexibility and whether it would reduce the level of scrutiny given to program expenditures and operating efficiency.

9.10 Develop a capital improvement plan

- 9.10.1 Practice: A government should develop a capital improvement plan that identifies its priorities and time frame for undertaking capital projects and provides a financing plan for those projects.
- 9.10.2 Rationale: The cost of desired capital projects will usually substantially exceed available funds in most governments. Development of a capital improvement plan provides a framework for prioritizing projects and identifying funding needs and sources.
- 9.10.3 Outputs: A process should exist for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. The capital improvement plan should be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital improvement plan and capital budget. The plan should be approved by the governing body.
- 9.10.4 Notes: The emphasis of this practice is on ensuring that proposed capital projects, their timing, and their financing best meet the government's policies and plans. The capital improvement plan should take into account overall affordability in terms of both capital and operating costs, community concerns, available alternatives, coordination with other projects (including projects being considered by other governmental entities), impacts on services, beneficiaries of the project, and important community goals such as those related to economic development or the environment. The GFOA Distinguished Budget Presentation Award Program recommends documentation of the impact of proposed capital improvements on the operating budget. An evaluation of capital financing alternatives should address equity considerations, or who will pay for the project in relation to who benefits from it. It should also consider whether the money will be available when needed, how costly the financing method is, whether a financing method is legally permissible, and the administrative requirements associated with the financing option. In evaluating each funding option, the philosophy of the government regarding use of debt relative to pay-as-you-go and the acceptability of the financing method may also be considered. A government should consult its debt and other relevant policies when deciding how projects will be funded (see practices entitled Develop Policy on Debt Issuance and Management and Develop Policy on Debt Level and Capacity).

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10 Element 10 - Make Choices Necessary to Adopt a Budget

A government should prepare and adopt a budget. The proposed and adopted budget should be a comprehensive operating and financial plan. The budget document should communicate key fiscal and policy decisions, issues, and tradeoffs. In order to facilitate stakeholder understanding of the choices that have been made, it is essential that materials be prepared in format that is clear and comprehensible.

PRACTICES

10.1 Prepare and present a recommended budget

- 10.1.1 Practice: A government should prepare and present a recommended comprehensive program and financial plan (the "budget") for review by stakeholders and consideration for adoption by the governing body.
- 10.1.2 Rationale: A complete plan is necessary to allow stakeholders to judge how well all of the different aspects of the plan fit together and whether there is an appropriate balance of resources and assigned uses.
- 10.1.3 Outputs: The proposed budget will consist of a set of recommended actions regarding programs and services to be funded, including service level, quality, and goals to be achieved. It will also identify funding requirements and sources of funds, and provide the supplemental information necessary to review the plans. The budget should be consistent with policies and goals set by the government. The recommended budget must also comply with any statutory requirements; in some cases, it may be appropriate to produce a separate document to comply with these requirements.
- 10.1.4 Notes: The recommended budget should be the government's considered approach to addressing stakeholder issues previously raised. As a comprehensive program and financial plan, the budget should include all programs and funds. Consideration also should be given to including closely related entities that may not otherwise have their own budget or whose budget is important to a government, e.g., an urban renewal authority or a captive capital leasing organization. A proposed budget consists of one or more separately bound documents. Ideally, the proposed budget should be a complete and comprehensive document that includes everything that will be in the adopted budget, except for any subsequent changes made by the legislative body and a copy of the appropriations resolution or bills authorizing the budget.

10.2 Describe key policies, plans and goals

- 10.2.1 Practice: A government should include a description of key programmatic and financial policies, plans, and goals in its budget documents.
- 10.2.2 Rationale: Identification of key programmatic and financial policies, plans, and goals assists stakeholders in determining the appropriateness of a government's direction and allows stakeholders to develop their own opinions as to whether the government's programs and decisions conform to or are likely to achieve those policies, plans, and goals.
- 10.2.3 Outputs: Budget documents should describe key financial and programmatic plans and goals. Goals and objectives for individual programs and/or organizational units included in the budget documents should also be provided. Organization-wide policies and goals are often presented in an introductory section of the budget. The goals and objectives for individual programs and organizational units also should be described. They usually appear as a part of the narrative for each

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individual unit or program. Key interrelationships of programs and units in terms of goals to be achieved should be identified.

- 10.2.4 Notes: This practice is oriented toward identifying those policies, plans, and goals that most influence the recommended budget. A description of policies, plans, and goals can help build support among stakeholders for actions that might not otherwise be understood. It is particularly important to describe policies pertaining to achieving budgetary balance, use of fund reserves, and creation and use of stabilization funds. (See practice entitled Develop Policy on Reserve Funds.)

10.3 Identify key issues

- 10.3.1 Practice: The budget and the budget deliberation process should highlight key issues and decisions.
- 10.3.2 Rationale: Identification of key issues and decisions focuses attention on the most critical areas, improves the likelihood that an appropriate level of deliberation will occur regarding decisions in these areas, supports the notion of government accountability to stakeholders, and promotes trust.
- 10.3.3 Outputs: Identification and analysis of key issues and major programmatic and financial changes should be provided as early as possible in the budget process and also should be identified in the proposed budget. Summary information should always be provided, with more detailed information available where appropriate or upon request.
- 10.3.4 Notes: Key issues and decision areas may be programmatic, financial, or process-oriented. The goal is to provide for disclosure, appropriate analysis, and discussion of these issues so that well-considered budgetary decisions may be made. At times, key decisions and issues may arise that a government administration or legislative body considers inappropriate to highlight. In these cases, a government should take into account practical considerations along with the intent and purpose of this practice. Good practice requires identification of key issues, even if the information may cast the government in an unfavorable light.

10.4 Provide a financial overview

- 10.4.1 Practice: Budget documents should contain a description of the short-term and long-term financial plan of the government.
- 10.4.2 Rationale: Stakeholders need to have the financial plan of the government clearly identified in order to make the best budgetary decisions.
- 10.4.3 Outputs: A financial overview typically consists of financial statements and accompanying narrative, charts, and graphics. The overview should clearly describe the current and projected financial position and fund balances, the financial activities and expectations for the budget period, and the expected implications for future periods. The overview should provide clear information about capital plans and funding, along with the impact of capital plans on operating costs and activities. Debt and debt service issues should also be discussed. Financial data presented in the budget documents should include comparisons of prior period actual results, current period budget and/or estimated actual results, and budget period projected figures. Key assumptions for revenues and expenditures should be highlighted.
- 10.4.4 Notes: A financial overview should normally consist of all funds of a government, whether or not there are statutory requirements for budgeting those funds. The manner of presenting materials on fund balances, including available amounts and reserve funds, should be carefully considered. A clear distinction should be made between total

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fund balance (or reserves), the amount restricted by legislative policy (as opposed to statutory requirements), and the amount considered available for expenditures.

10.5 Provide a guide to operations

- 10.5.1 Practice: Budget documents should include information that provides the reader with a guide to the programs the government operates and the organizational structure in place to provide those programs and services.
- 10.5.2 Rationale: Information concerning programs and the organizational structure supporting those programs provides context for the proposed allocation of resources in the budget. This information is necessary in order to make reasoned decisions about the use of resources and to make clear the direction of the government's programs.
- 10.5.3 Outputs: Information provided to the reader in the budget documents and through other means should include: program descriptions, goals and objectives, organization charts, means of providing major services (e.g., in-house or contracted out), information relating programs to organizational units, management approaches, multi-period comparative staffing information by unit, unit sources and uses of funds, and performance measures. Key functional relationships between organizations also should be identified.
- 10.5.4 Notes: The intent of this practice is that a government make available sufficient information about its operations so that the interested stakeholder has an understanding of the programs and services provided, can identify goals and priorities of each program, and can place resource needs for those programs and services into an appropriate context.

10.6 Explain the budgetary basis of accounting

- 10.6.1 Practice: The budget should include a description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report.
- 10.6.2 Rationale: Explaining the differences between the budgetary basis of accounting and the basis used in preparing the annual financial report helps stakeholders understand and interpret the numbers presented in each document. Documented reconciliations between different bases can also help prevent errors during preparation or interpretation of the budget.
- 10.6.3 Outputs: The relationship between budgetary revenues, expenditures, and funds available and those presented in financial reports should be explained by both numerical reconciliations and a written explanation, in both the budget and the annual financial report. In some cases, the bases used may be identical.
- 10.6.4 Notes: There are four basic categories of difference between the budgetary basis of accounting and the basis of accounting that follows generally accepted accounting principles (GAAP) for state and local governments:
 - Basis of accounting--"Cash plus encumbrances" and "modified accrual" are two of the different ways to define revenues and expenditures;
 - Timing--The budget period may differ from the accounting reporting period, e.g., lapse periods for encumbrances;
 - Perspective--The budget and accounting reports may have different fund reporting structures, e.g., a budget may account for debt service

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in the general fund, while GAAP principles require that debt service be recorded in a separate fund.

- Entity--The government's financial report may not include all of the same entities and funds as the budget document.

10.7 Prepare a budget summary

- 10.7.1 Practice: A government should prepare a summary of both the proposed and final budget.
- 10.7.2 Rationale: Most stakeholders do not want to take the time to read and understand the details of a budget. A concise summary of key issues, choices, and financial trends is therefore needed to inform and direct the reader to the appropriate location for additional information.
- 10.7.3 Outputs: The summary should focus on issues likely to be important to the public. Contents may include priorities, key issues, and choices/decisions for the budget period; major changes in tax rates, tax policy, or projected service levels and priorities and reasons for those changes; important financial issues, including changes in the economy and the long-range outlook; and significant use of or increase in fund balance or retained earnings. The summary should also refer the reader to additional information available elsewhere about particular issues or financial details. The summary can take many forms, including a transmittal letter, budget message, executive summary, or budget-in-brief. The summary should be available and disseminated in an easily accessible manner that is likely to be communicated to the public and generate interest. Preparation of separate documents tailored to different audiences, including citizens, the media, and elected officials, is encouraged. Electronic formats should be considered as a means to disseminate the budget.
- 10.7.4 Notes: The summary should be as nontechnical as possible and easy to read. The GFOA Distinguished Budget Presentation Award Program recommends, at a minimum, the inclusion of summary information in the budget document and, if feasible, in a separate document as well.

10.8 Present the budget in a clear, easy-to-use format

- 10.8.1 Practice: Budget documents and related materials made available to stakeholders should be presented in a clear and readily comprehensible format.
- 10.8.2 Rationale: The budget is the guide that determines the direction of government. It is arguably the single most important document routinely prepared by governments. To be usable, it not only must contain the appropriate information, but must also be prepared in a manner that is clear and comprehensible.
- 10.8.3 Outputs: Some items in a budget document that will assist the reader include: a table of contents, summaries, a consistent format, high-level summary information that describes overall funding sources and the organization as a whole, a description of the overall planning and budgeting process and the interrelationships of those various processes, supplementary information about the government and the area for which it has responsibility, charts and graphs to better illustrate important points, succinct and clearly-written summaries, uncluttered pages, and detailed information placed in appropriate locations so that it does not overwhelm the reader. Similar requirements apply to the non-written means (e.g., audio, video) of presenting budget material to stakeholders

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at various times during the budget process. Some governments prepare summary information in a document separate from the more detailed budget document in order to avoid overwhelming the reader and to control overall costs of document preparation.

- 10.8.4 Notes: To achieve the goal of this practice, multiple formats may be used that are tailored to the needs of various stakeholders. These may include brief summaries of important information to be used by different audiences to enhance their understanding of important budget issues and tradeoffs.

10.9 Adopt the budget

- 10.9.1 Practice: A government should adopt a budget that meets all statutory requirements prior to the beginning of the fiscal year.
- 10.9.2 Rationale: The timely adoption of a budget permits the government to proceed with implementing programs and services that further the achievement of goals.
- 10.9.3 Outputs: The adopted budget should clearly present the financial, operating, and capital plan. It should include all operations and funds, although not necessarily at the same level of detail. Non-appropriated funds, revolving funds, and any other planned revenues and expenditures also should be included. Whenever feasible, the adopted budget should include (though not necessarily in a single document) all statutorily required materials such as the appropriation ordinance or bills, tax levies, and rate adjustments. Legally required documents that otherwise do not contribute to an understanding of the budget may be included as an appendix.
- 10.9.4 Notes: If there are delays in adopting the budget, actions should be taken to minimize uncertainty when the new budget period starts, as appropriate. A continuing appropriation may be legally required.

PRINCIPLE 4 - ASSESS PERFORMANCE AND MAKE ADJUSTMENTS

This principle identifies practices that are needed to monitor and assess the government's progress in meeting financial and programmatic goals identified in the budget and through its policies and plans. Based on this review, the government may need to make adjustments to the budget and to plans and policies if goals are to be achieved. The review undertaken through this principle feeds back into goal development and review processes to ensure that goals remain relevant.

11 Element 11 - Monitor, Measure, and Assess Performance

A government should monitor and analyze the performance of its service programs, its capital programs, and its financial performance. Performance should be based on stated goals and budget expectations. The analysis should also include customer and other stakeholder satisfaction and should include the impact of external factors affecting the government such as the economy, demographic and social factors, intergovernmental changes, weather, and other relevant factors.

PRACTICES

11.1 Monitor, measure, and assess program performance

- 11.1.1 Practice: A government should periodically evaluate the performance of the programs and services it provides.
- 11.1.2 Rationale: Government functions, programs, and activities should be periodically reviewed to determine whether they are accomplishing intended program goals and making efficient use of resources. Unlike private enterprise, there are often no simple measures such as profit to

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evaluate "bottom line" performance. A performance evaluation provides both accountability and information on which to base improvements.

- 11.1.3 Outputs: Performance measures, including efficiency and effectiveness measures, should be presented in basic budget materials, including the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives. More formal reviews and documentation of those reviews should be carried out as part of the overall planning, decision-making, and budget process.
- 11.1.4 Notes: Evaluating and reporting on program performance on a routine, publicized basis keeps stakeholders apprised of actual results compared to expectations. One option is to prepare regular reports of key performance measures, with in-depth evaluations or reviews conducted once every several years. Program performance information should be available during the budget process. Regardless of whether the program is provided by government employees or contracted out, the reporting and evaluation process should be similar.

11.2 Monitor, measure, and assess stakeholder satisfaction

- 11.2.1 Practice: Governments should monitor and assess stakeholder satisfaction with programs and services.
- 11.2.2 Rationale: The main contact with a government for many stakeholders is through the programs and services it provides. It is important for a government to be aware of and respond to stakeholders' perceptions of these programs and services. Stakeholders' perceptions of the quality of public services is an important factor in their overall perception of the government and their level of confidence in governmental decision making.
- 11.2.3 Outputs: There are many ways to assess stakeholder satisfaction, including various forms of contact with the legislative body and administrative leaders, citizen surveys, public forums or hearings, and focus groups of clients/customers. A government should determine the methods it wishes to use and should then formally assess satisfaction with programs and services. These assessments should be conducted regularly. Stakeholder satisfaction should be reported using appropriate technology and should be available to all stakeholders.
- 11.2.4 Notes: Governments define areas where goals need to be adjusted by identifying and understanding stakeholders' concerns. Governments should consider developing performance measures and benchmarks to evaluate stakeholder satisfaction.

11.3 Monitor, measure, and assess budgetary performance

- 11.3.1 Practice: A government should evaluate its financial performance relative to the adopted budget.
- 11.3.2 Rationale: Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. It is also an essential input in demonstrating accountability.
- 11.3.3 Outputs: Budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, and fund balance should be included in periodic reviews undertaken during the budget period. Staffing levels should also be monitored. Comparisons for at least the current year should be included in the budget document and be generally available to

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stakeholders during discussions related to budget preparation and adoption.

- 11.3.4 Notes: Consistency and timeliness are particularly important when implementing this practice: it is essential that reports are prepared on a routine, widely-publicized basis. In addition to monitoring budget-to-actual results, reasons for deviations should be evaluated. These factors are important in assessing the significance of variations, including whether they are expected to be temporary or longer-term in duration. (See practices entitled Monitor, Measure, and Assess Program Performance and Monitor, Measure, and Assess External Factors.)

11.4 Monitor, measure, and assess financial condition

- 11.4.1 Practice: A government should monitor and evaluate its financial condition.
- 11.4.2 Rationale: The financial health of a government is critical to its ability to meet the needs of stakeholders. Financial condition should be evaluated to identify potential problems and any changes that may be needed to improve performance over both the short and long terms.
- 11.4.3 Outputs: Financial indicator measures often are developed to monitor financial condition and achievement of explicitly set financial goals. Indicators to monitor factors that affect financial performance are also reported. A report on financial condition should be periodically prepared and updated. The report may be a separate document or incorporated into other relevant documents, including the budget document. When reporting on financial condition, the government should highlight the significance of relevant indicators.
- 11.4.4 Notes: Financial condition is distinguished from budget performance. Budget performance identifies explicit short-term indicators, primarily revenue and expenditure status for the budget period. An evaluation of financial condition considers a broader array of factors that may have long-term implications for the financial health of the government. These factors may include specific measures of the government's financial performance (e.g., trends in operating position or liquidity) as well as measures of the community's general social, demographic, and economic conditions.

11.5 Monitor, measure, and assess external factors

- 11.5.1 Practice: Governments should monitor and assess external factors that may affect budget and financial performance and achievement of goals.
- 11.5.2 Rationale: Factors outside the government's control, such as the national or regional economy, demographic changes, statutory changes, legislation, mandates, and weather, may affect achievement of stated goals. Monitoring these factors helps governments to evaluate and respond to the effect of these external influences on goals, programs, and financial plans.
- 11.5.3 Outputs: External factors that are likely to be important in achieving goals should be identified and monitored regularly. The results of this analysis should be factored into the assessment of program and financial performance and considered in making adjustments to these programs. Trends and significant issues may be described in reports to stakeholders discussing program, budget, and financial performance. The assessment of external factors should be reported, at least in summary form, and available to stakeholders.
- 11.5.4 Notes: Many external factors cannot be controlled or sometimes even predicted by a government. Contingency planning can help address

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negative impacts or take better advantage of positive factors that might arise from external events. To the extent that external events have long-range impacts, programs, plans, and goals may need to be adjusted to reflect these changes. (See practice entitled Develop Policy on Contingency Planning.)

11.6 Monitor, measure, and assess capital program implementation

- 11.6.1 Practice: Governments should monitor, measure, and assess capital program implementation.
- 11.6.2 Rationale: Monitoring the status of capital projects helps to ensure that projects progress as planned, problems (such as delays in key milestones and cost overruns) are identified early enough to take corrective action, funds are available when needed, and legal requirements are met.
- 11.6.3 Outputs: Reports on capital project implementation should be prepared for decision makers and other stakeholders. Summary information should be considered for projects that are progressing as planned. More detailed information will probably be needed for projects where there are issues. Project milestones, such as dates for completion of such tasks as planning, land acquisition, engineering and design, and construction, should be identified and progress in meeting these milestones should be reported. Governments should monitor quality compliance and financial performance.
- 11.6.4 Notes: A government may have a large number of significant projects. This practice is intended to promote the development of mechanisms to ensure that decision makers are not overwhelmed with information on which no decision is needed and that they receive timely information where decisions or actions are required.

12 Element 12 - Make Adjustments as Needed

From time to time, a government may need to adjust programs, strategies, performance measures, the budget, and goals based on the review and assessment of program, budget, financial condition measures, stakeholder satisfaction and external factors. Processes are needed to ensure that these adjustments are formally presented to decision makers and other stakeholders and receive adequate consideration.

PRACTICES

12.1 Adjust the budget

- 12.1.1 Practice: The budget should be adjusted during the budget period should unforeseen events require changes to the original budget plan.
- 12.1.2 Rationale: The budget is a plan based on a set of assumptions that may not always match actual experiences during the execution phase. A government should watch for significant deviations from expectations and make adjustments so that the plan is consistent with revised expectations.
- 12.1.3 Outputs: Governments should have procedures in place to determine when deviations from the budget plan merit adjustments to the budget. Budget adjustments, whether to programs or to revenues and expenditures, should be made as appropriate. Final changes to the budget should be reported. The timing and manner in which this is done depends on the stakeholder group and the level of materiality of the changes.

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- 12.1.4 **Notes:** Budget adjustments may be administrative or legislative depending on the government's procedures and on statutory requirements such as the legal level of control of the budget appropriations.

12.2 Adjust policies, plans, programs and management strategies

- 12.2.1 **Practice:** A government should adjust its policies, plans, programs, and management strategies during the budget period, as appropriate.
- 12.2.2 **Rationale:** Changing conditions or programs and services that are not producing the desired results or efficiently utilizing resources may require adjustments in order for the government to continue to meet the needs of stakeholders and to meet its own goals.
- 12.2.3 **Outputs:** Governments should have procedures in place to provide for review, decision making, and implementation of changes to policies, plans, programs, and management strategies during the budget period. Adjustments should be based on findings obtained from monitoring and assessing program and financial results, stakeholder input, and external circumstances. Regular briefings to senior program officers, management, and elected officials on the contents of the reports permit timely adjustments as needed to the plan or program activities.
- 12.2.4 **Notes:** The adjustments made by a government should be based on its assessment of performance. This practice helps complete the budget planning cycle and will feed into the review of services, goals, plans, and programs which occurs near the beginning of the cycle. This practice is distinguished from the earlier review processes in that it is intended to focus more on mid-period adjustments, rather than on more fundamental changes that may be needed to achieve broad goals. (See practices under elements entitled Identify Opportunities and Challenges for Government Services, Capital Assets, and Management; Develop Programmatic, Operating, and Capital Policies and Plans; Develop Programs and Services That Are Consistent with Policies and Plans; and Develop Management Strategies.)

12.3 Adjust broad goals, if appropriate

- 12.3.1 **Practice:** A government should modify or change its broad goals if conditions change sufficiently that these goals are no longer appropriate.
- 12.3.2 **Rationale:** Goals may need to be adjusted in response to new information about program results, stakeholder needs, and external circumstances in order to be more relevant for the community or more practically attainable.
- 12.3.3 **Outputs:** Governments should have procedures in place to ensure that goals are reviewed during the budget period and adjusted when appropriate. Adjustments should be based, in part, on findings obtained from monitoring and assessing program and financial results, stakeholder input, and external circumstances. Opportunities and challenges facing the government also should be considered.
- 12.3.4 **Notes:** This practice helps complete the budget planning cycle and will feed into the goal development phase which begins the cycle. It is desirable to minimize the number of adjustments to longer-term goals in order to maintain credibility. Adjustment of performance measures associated with goals is another way to adjust or clarify goals without changing basic intent of a goal. (See elements and practices under principle entitled Establish Broad Goals to Guide Government Decision Making.)



GFOA Best Practices

BEST PRACTICE

Achieving a Structurally Balanced Budget

BACKGROUND:

Most state and local governments are subject to a requirement to pass a balanced budget. However, a budget that may fit the statutory definition of a balanced budget may not, in fact, be financially sustainable. For example, a budget that is balanced by such standards could include the use of non-recurring resources, such as asset sales or reserves, to fund ongoing expenditures, and thus not be in structural balance. A true structurally balanced budget is one that supports financial sustainability for multiple years into the future. A government needs to make sure that it is aware of the distinction between satisfying the statutory definition and achieving a true structurally balanced budget.

RECOMMENDATION:

GFOA recommends that governments adopt rigorous policies, for all operating funds,¹ aimed at achieving and maintaining a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

As a first step, the government should identify key items related to structural balance. These include: *recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves.*

Recurring revenues are the portion of a government's revenues that can reasonably be expected to continue year to year, with some degree of predictability. Property taxes are an example of recurring revenue. A settlement from a lawsuit is a good example of non-recurring revenue.

Some revenue sources may have both non-recurring and recurring components. These sources require finance officials to exercise judgment in determining how much of the source is truly recurring. For instance, a government may regularly receive sales tax revenues, but a large part of its base may be made up of retailers with highly volatile sales. In this case, it may be prudent to regard unusually high revenue yields as a non-recurring revenue under the assumption that such revenues are unlikely to continue, making it imprudent to use them for recurring expenditures. Another example might be building permit revenues in a period of high growth in the community. Governments should review their revenue portfolio to identify non-recurring revenues and revenues with potentially volatile components, such as the examples above.

Recurring expenditures appear in the budget each year. Salaries, benefits, materials and services, and asset maintenance costs are common examples of recurring expenditures. Capital asset

acquisitions are typically not thought of as recurring because although some capital assets may be acquired every year, they are not the same assets year after year. In general, recurring expenditures should be those that you expect to fund every year in order to maintain current/status quo service levels. In general, a government has a greater degree of flexibility to defer non-recurring expenditures than recurring ones.

Reserves are the portion of fund balance that is set aside as hedge against risk. The government should define a minimum amount of funds it will hold in reserve.² This serves as a bottom line measure to help determine the extent to which structural balance goals are being achieved. If reserves are maintained at their desired levels, it is an indication that the organization is maintaining a structurally balanced budget. If reserves are declining, it may indicate an imbalance in the budget (e.g., if reserves are being used to fund on-going expenditures). It should be noted that reserves levels are not a perfect measure of structural balance, but are a good and readily available measure.

With the forgoing terms defined, a government should adopt a formal policy calling for structural balance of the budget. The policy should call for the budget to be structurally balanced, where recurring revenues equal or exceed recurring expenditures. The policy should also call for the budget presentation to identify how recurring revenues are aligned with or not aligned with recurring expenditures.³

For a variety of reasons, true structural balance may not be possible for a government at a given time. In such a case, using reserves to balance the budget may be considered but only in the context of a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken. Further, the plan should be clear about the time period over which returning to structural balance, replenishing reserves, and remediating the negative impacts of balancing actions are to occur.⁴

Notes:

¹ Note that this Best Practice excludes non-operating funds like capital and debt funds. While governments should ensure that these funds are financially sustainable as well, the specific recommendations found in this Best Practice may not always be a match to the circumstances of non-operating funds.

² See GFOA Best Practice Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009). GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures

³ Please note that the best practice is not advocating that recurring revenues be formally allocated or earmarked to recurring expenditures, but rather is advocating that the budget presentation provide transparency as to whether recurring revenues and recurring expenditures are balanced.

⁴ See GFOA Best Practice Replenishing Fund Balance in the General Fund. (2011).

The County of San Diego, CA was awarded the GFOA Award for Excellence for outstanding use of GFOA's Best Practice on Public Achieving a Structurally Balanced Budget. To learn more about the County's implementation process, please visit their award page.



BEST PRACTICE

Capital Budget Presentation

BACKGROUND:

GFOA has several best practices that should be incorporated into the presentation of the capital budget. These best practices include (1) capital planning policies, (2) master plans and capital improvement planning, (3) multi-year capital planning, (4) capital asset management, (5) communicating capital improvement strategies, and (6) capital project monitoring and reporting. In addition, the capital presentation should include a summary/highlights section, project detail on major capital items, and operating impacts. An exceptional capital presentation enhances the transparency and accountability to citizens. It gives a broader context for citizens to understand major components of the capital budget.

RECOMMENDATION:

GFOA recommends that governments incorporate the following guidelines when presenting the capital budget.

1. *Capital planning policies.* Capital planning policies should be included as part of the overall financial policy section of the entity. The policies essentially set up the “ground rules” on how the organization will approach capital planning. Capital planning policy items may include such items as a clear definition of capital projects, the role of the various stakeholders in the process, financing policies (debt options versus pay as you go), funding sources, multi-year requirements, legal requirements, and monitoring oversight.
2. *Master plans and capital improvement planning.* The presentation of the capital section should include a linkage with how CIP decisions relate to master plans. This can be done through diagrams, tables, and/or discussion.
3. *Multi-year capital planning.* The capital budget should have a direct link to the multi-year capital improvement plan. The multi-year capital plan should identify needs, determine financial impacts, prioritize, and include a comprehensive financial plan. In addition, assumptions for sources and uses need to be identified. This would include contingencies as well.
4. *Capital asset management.* Major categories under capital asset management include condition ratings and service reliability. Presenting this information can be a good selling point for aspects of the capital program.
5. *Communicating capital improvement strategies.* The strategy of the capital improvement plan needs to be communicated to stakeholders with corresponding feedback. This can be done through a clear message and the use of various presentation methodologies including signage, press articles, website, social media, interest groups, public meetings, use of media, and a budget document.
6. *Capital project monitoring and reporting.* When presenting capital planning information, there is a need to decide what data is relevant for both the internal and external stakeholders.

Systems need to be in place to make sure that the data presented for projects is accurate for both timing and dollars.

7. *Highlights/Summary.* The capital presentation should focus on both sources and uses. The government should indicate the total dollar amount of capital expenditures for the budget year and for the multi-year plan. The capital plan sources and uses summary should include all projects (regardless of fund) that fit within the government's definition of capital expenditures. This information can be presented by fund, category, priority, strategic goal, or geographic location. The government should identify the funding sources for the same time period as expenditures. Pie charts are useful for identifying components, while bar charts show specific trends (historical and future). A budget overview or separate budget in brief could be included that presents both operating and capital highlights. Capital projects should be broken out between recurring and non-recurring. Recurring capital projects are those that 1) are included in almost every budget and 2) have a regular replacement cycle. Capital projects could be grouped by category, department, type, function, or funding. Unfunded projects should be summarized.
8. *Individual Capital Project Detail.* Including individual capital project detail for major projects can be a very effective communication tool. To avoid placing excessive detail in the capital section of the budget document, consideration may be given to placing the additional information on the web or in a separate capital document. Detail for major projects should include:
 1. *Description.* For significant and/or non-recurring capital expenditures, the document should concisely describe these items (i.e. indicate the project's purpose and funding sources) and indicate the amount appropriated for the project during the budget year (s).
 2. *Timetable.* Showing a timetable for different phases of a project is very informative. Capital project schedules can be presented on the individual sheets.
 3. *Graphics.* Legible graphic illustrations (pictures or maps) can add value to a capital project presentation.
 4. *Links to Other Plans.* Governments may consider indicating on the individual capital project sheets what specific goals that the capital project is fulfilling.
 5. *Revenue and Expenditure Estimates.* The individual project dollar estimates should be broken out by revenue type and expenditure component.
9. *Operating Impacts.* Governments should discuss and quantify the operating impact of capital projects. The impacts should be identified on an individual project basis, but may be summarized.
 1. *Policies:* A specific policy on operating impacts should be included under the capital section in the financial policies of the government. A rule might be established that the capital improvement program may not be submitted/approved until specific dollar impacts are noted.
 2. *Assumptions.* Items to consider when making assumptions include:
 - Timeframe to determine when costs, savings or revenue will start. For example, first-year startup costs will likely differ from costs in successive years when savings may be realized.
 1. Various anticipated phases of the project.
 2. In-house or external operations.
 3. Type of work being done.
 4. Whether the costs, savings, or revenues are recurring or non-recurring. For example, replacement and maintenance costs may occur on alternating or periodic years rather than annually over the life of a capital asset. A government should analyze the cycles for such up-keep costs and plan accordingly.
 3. *Classification.* Operating impacts can be classified into one of three elements or a combination of the three. These include increased revenues, increased expenditures

or additional cost savings. When possible, included specific dollar quantification with accompanying discussion of the impact.

1. Increased revenues may be the result of additional volume, like opening a new train line, a new swimming pool, or a sports facility.
2. Increased expenditures are often the result of a new facility, like a school building, fire station, etc. This would result in additional headcount and associated expenditures. Expenditures can be broken out by component.
3. Savings may result from a number of items such as more efficient energy savings, more productive software, and lower maintenance and repair expenditures.



BEST PRACTICE

Financial Forecasting in the Budget Preparation Process

BACKGROUND:

The purpose of the financial forecast is to evaluate current and future fiscal conditions to guide policy and programmatic decisions. A financial forecast is a fiscal management tool that presents estimated information based on past, current, and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, or community services. The forecast is an integral part of the annual budget process. An effective forecast allows for improved decision-making in maintaining fiscal discipline and delivering essential community services.

RECOMMENDATION:

The GFOA recommends that governments at all levels forecast major revenues and expenditures. The forecast should extend several years into the future. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to stakeholders in the budget process. It also should be concisely presented in the final budget document. The forecast should be regularly monitored and periodically updated. The key steps in a sound forecasting process include the following:

Define Assumptions. The first step in the forecasting process is to define the fundamental issues impacting the forecast. The results of this initial step will provide insight into which forecasting methods are most appropriate and will help create a common understanding among the forecasters as to the goals of the forecasting process. There are four key questions to consider when defining assumptions for the forecast:

1. What is the time horizon of the forecast?
2. What is the objective of the governments forecasting policy? For example, a conservative forecast underestimates revenues and builds in a layer of contingencies for expenditures. This might make it harder to balance the budget, but reduces the risk of an actual shortfall. On the other hand, an objective forecast seeks to estimate revenues and expenditures as accurately as possible, making it easier to balance the budget, but increasing the risk of an actual shortfall. Therefore, a government should be transparent concerning its own forecasting policy and underlying assumptions.
3. What are the political/legal issues related to the forecast? Be aware of current laws or expected changes in laws that affect forecasts.
4. What are the major revenues and expenditure categories?

Gather Information. To support the forecasting process, use statistical data as well as the accumulated judgment and expertise of individuals inside and perhaps also outside the organization.

For instance, department heads may have an insight into activities within their own section. This step is designed to increase the forecasters expert knowledge about the forces impacting revenues and expenditures. This would also include events that could cause a disruption in the operating environment and in prevailing trends. Both are important for forecasting because they allow the forecaster to more intelligently build quantitative models and to make a forecast using his or her own judgment. Assumptions should be documented for future reference, so the financial forecasting process has some basis to start from at the beginning of each cycle. Also, become familiar with other longer-term planning efforts of the organization or other organizations that impact financial decisions and the fiscal environment. Such plans might include comprehensive development and/or capital improvement programs.

Preliminary/Exploratory Analysis. The analysis should include an examination of historical data and relevant economic conditions. This improves the quality of the forecast both by giving the forecaster better insight into when and what quantitative techniques might be appropriate and also is useful for supplementing forecasting methods. The forecaster is looking for consistent patterns or trends. In particular, the forecaster should look for evidence related to:

1. Business cycles. Does the revenue (or expenditure) tend to vary with the level of economic activity in the community or are they independent of cycles? How do broader market forces impact key expenditures, such as pension contributions affected by investment returns?
2. Demographic trends. Are population changes affecting service demands and/or revenues?
3. Outliers and historical anomalies. Does the data contain any extreme values that need to be explained? It could be that these represent highly anomalous events that don't add to the predictive power of the data set.
4. Relationships between variables. Are there important relationships between variables that could aid in forecasting?

Select Methods. Determine the quantitative and/or qualitative forecasting methods that will be used. Keep in mind that the chosen method for one program may differ for another. While complex techniques may get more accurate answers in particular cases, simpler techniques tend to perform just as well or better on average. Also, simpler techniques require less data, less expertise on the part of the forecaster, and less overall effort. Three basic models of forecasting to consider include:

1. Extrapolation. Extrapolation uses historical revenue data to predict future behavior by projecting the trend forward. Trending is very easy to use and is commonly employed by forecasters. Moving averages and single exponential smoothing are somewhat more complex, but should be well within the capabilities of most forecasters.
2. Regression/econometrics. Regression analysis is a statistical procedure based on the relationship between independent variables (factors that have predictive power for the revenue or expenditure source) and a dependent variable (expenditure source being predicted). Assuming a linear relationship exists between the independent and dependent variables, one or more independent variables can be used to predict future revenues or expenditures.
3. Hybrid forecasting. Hybrid forecasting combines knowledge-based forecasting (knowledge-based forecasting consists of using the forecasters own knowledge and feel for the situation, rather than data and statistics, as the basis for the forecast) with a quantitative method of forecasting. Hybrid forecasting methods are very common in practice and can deliver superior results.

Implement Methods. Making the forecast and using forecast ranges are included within the implementation methods.

1. Making the forecast. Put into practice one or more of the forecasting methods described above.

2. Forecast ranges. It may be wise to develop a range of possible forecast outcomes, with the use of different scenarios. Multiple projections should be a part of a well-planned and thoroughly discussed approach.

Use Forecasts. The purpose of a forecast is to inform and assist in decision-making. Three items that are essential to a compelling and informative forecast presentation include:

1. *Credibility of the forecaster.* Credibility of the forecasts presenters is essential if a forecast is to be trusted.
 1. Have a transparent forecast process.
 2. Address how the forecast compares to widely accepted economic or financial forecasts from outside organizations.
 3. Describe forces acting on your revenues or expenditures that might cause the actual results to be higher or lower than the forecast.
 4. Stay within acceptable accuracy tolerances for forecasts.
 5. Avoid overpromising on the level of forecast accuracy to set appropriate expectations. Note to the audience that years estimated farther out are less reliable.
 6. Be careful about using forecasts to raise an alarm about an impending crisis.
2. *Presentation approach.* A good forecast presentation revolves around a clear message. The following steps can be helpful in promoting clarity:
 1. A clear, simple, and reasoned statement of the forecast message is vital.
 2. Build the message around a baseline set of assumptions that represent a reasonable level of consistency with status quo conditions. An exception to status quo conditions might be changes in the financial/economic environment that are widely appreciated and/or assumptions about changes in the environment. Such exceptions should be clearly stated.
 3. The assumptions should be made very clear, and be supplemented with salient information. The forecaster should explain how the assumptions lead to the forecast, without delving into the details of the specific methods.
 4. The message should address the implications of the forecast in terms of budget shortfalls or surpluses, changes in reserve levels, and other metrics that would be meaningful to the audience.
 5. Involving other staff in the forecasting process in these steps will also help ensure that understanding of the method is shared by key potential supporters. It may even prove possible to involve other staff directly in the presentation, which may increase credibility.
3. *Linking forecast to decision-making.* In order to maximize decision-makers interest in the forecast, it will be important to emphasize the importance of the forecast as a key factor in the planning and budgeting process. This means imparting a long-term perspective to the budgeting process and emphasizing financially sustainable decisions. The following financial policies might be particularly helpful for promoting interest in financial forecasting:
 1. A reserve policy, which establishes the desired level of reserves to maintain. A policy on reserves implies the need for forecasting tools to see if reserve levels will remain within desired parameters given future spending and revenues.
 2. A policy on maintaining structural balance, which requires recurring expenditures to be covered by recurring revenues. A forecast is required to tell if this will occur into the future, facilitating the considerations of long-term implications of decisions.
 3. A long-financial planning policy, which commits officials to considering the long-term implications of decisions made today.
 4. Capital improvement plans should employ a long-term planning horizon.

References:

- Best Practice: A Framework for Improved State and Local Government Budgeting, NACSLB, 1998.
- Best Practice: Long-Term Financial Planning, 2008.
- Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund, 2002, 2009.
- Best Practice: Inflationary Indices in Budgeting, 2010.
- Best Practice: Appropriate Levels of Working Capital in Enterprise Funds, 2011.
- Best Practice: Structurally Balanced Budget Policy, 2013.
- *Financing the Future*, Shayne Kavanagh, GFOA, 2007.



GFOA

Distinguished Budget Presentation Awards Program Criteria

**GFOA Detailed Criteria Location Guide
Distinguished Budget Presentation Awards Program**

Name of Entity: _____
State/Province: _____
First Submission? Yes ☐ No ☐

Cite specific page references on the lines in response to each question.

Introduction and Overview

#C1. **Mandatory:** The document shall include a table of contents that makes it easier to locate information in the document.

*** Table of Contents**

1. Is a comprehensive table of contents provided? _____
2. Are all pages in the document numbered or otherwise identified? _____
3. Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? _____

#P1: The document should include a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

Strategic Goals and Strategies

1. Are non-financial policies/goals included? _____
2. Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? _____
3. Are other planning processes discussed? _____

#P2: The document should describe the entity's short-term factors that influence the decisions made in the development of the budget for the upcoming year.

Short-term organization factors

1. Are short-term factors addressed? _____
2. Does the document discuss how the short-term factors guided the development of the annual budget? _____
3. Is a summary of service level changes presented? _____

#P3. **Mandatory:** The document shall include a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).

*** Priorities and Issues**

1. Does the message highlight the principal issues facing the governing body in developing the budget (*e.g., policy issues, economic factors, regulatory, and legislative challenges*)? _____
2. Does the message describe the action to be taken to address these issues? _____
3. Does the message explain how the priorities for the budget year differ from the priorities of the current year? _____
4. Is the message comprehensive enough to address the entire entity? _____

#C2. **Mandatory:** The document should provide an overview of significant budgetary items and trends. An overview should be presented within the budget document either in a separate section (*e.g., executive summary*) or integrated within the transmittal letter or as a separate budget-in-brief document.

*** Budget Overview**

1. Is an overview contained in the budget message/transmittal letter, executive summary, or in a separate budget-in-brief document? _____
2. Is summary information on significant budgetary items conveyed in an easy to read format? _____
3. Is summary information on budgetary trends provided? _____

Financial Structure, Policy, and Process

#O1. **Mandatory:** The document shall include an organization chart(s) for the entire entity.

***Organization Chart**

1. Is an organization chart provided which shows the entire entity? _____

#F1: The document should include and describe all funds that are subject to appropriation.

Fund Descriptions and Fund Structure

1. Is a narrative or graphic overview of the entity's budgetary fund structure included in the document? _____
2. Does the document indicate which funds are appropriated? (Other funds for which financial plans are prepared also may be included in the document.) _____
3. Does the document include a description of each individual major fund included within the document? _____
4. If additional or fewer funds are included in the audited financial statements, does the document indicate this fact? _____

#O2: The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

Department/ Fund Relationship

1. Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated? _____

#F2: The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

Basis of Budgeting

1. Is the basis of budgeting defined (*eg., modified accrual, cash, or accrual*) for all funds included in the document? _____
2. If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, is that fact clearly stated? _____
3. If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, are the differences described? _____

#P4. **Mandatory:** The document should include a coherent statement of entity-wide long-term financial policies.

*** Financial Policies**

1. Is there a summary of financial policies and goals? _____
2. Do the financial policies include the entity's definition of a balanced budget? _____
3. Are all financial policies presented in one place? _____

#P5. **Mandatory:** The document shall describe the process for preparing, reviewing, and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

*** Budget Process**

1. Is a description of the process used to develop, review, and adopt the budget included in the document? _____
2. Is a budget calendar provided to supplement (not replace) the narrative information on the budget process? _____
3. Is a discussion of how the budget is amended provided in the budget document available to the public (including the budgetary level of control)? _____

Financial Summaries

#F3. **Mandatory:** The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

1. Does the document include an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds? _____
2. Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix? _____
3. Are revenues presented by major type in this schedule (*e.g., property taxes, intergovernmental, sales taxes, fees and charges*)? _____
4. Are expenditures presented by function, organizational unit, or object in this schedule? (For funds other than the main operating fund of the entity, a presentation by fund normally would satisfy this requirement.) _____

*** Consolidated
Financial
Schedule**

#F4. **Mandatory:** The document must include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year.

1. For annual budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages? _____
2. Is this information presented for the appropriated funds in total (or for the entity as a whole if no appropriated funds are included)? _____
3. Is this information also presented at a minimum for each major fund and for other (i.e. nonmajor) funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)? _____
4. For biennial budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and both budget years presented together on the same schedule(s) or on separate schedules presented on adjacent/sequential pages? _____

*** Three/(Four)
Year
Consolidated
and Fund
Financial
Schedules**

#F5. **Mandatory:** The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).

1. Does the document include the entity's definition of "fund balance" (or of "fund equity" if no governmental funds are included in the entity - frequently the noncapital portion of net assets)? _____
2. Is the fund balance (equity) information presented for the budget year? _____
3. Is there a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds? _____
4. Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate? _____
5. If fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance? _____
6. If an entity has no governmental funds, is the change in the fund equity presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund? _____
7. If an entity has no governmental funds and the fund equity of any significant fund or other funds in the aggregate is anticipated to change by more than 10%, does the document include a discussion of the causes _____

*** Fund
Balance**

and/or consequences of any change in fund equity that is greater than 10% in either a significant fund or other funds in the aggregate? _____

8. For biennial budgets is the change in fund equity presented separately for both years of the biennium? _____

#F6. **Mandatory:** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

1. Are individual revenue sources described? _____
2. Do the revenue sources that are described represent at least 75 percent of the total revenues of all appropriated funds? _____
3. Are the methods used to estimate revenues for the budget year described (*e.g., trend analysis, estimates from another government or consulting firm*)? _____
4. If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described? _____

*** Revenues**

#F7: The document should explain long-range financial plans and its affect upon the budget and the budget process.

1. Are long-range financial plans identified? _____
2. Do your long-range financial plans extend out at least two years beyond the budget year? _____
3. Is there a concise explanation or illustration of the linkage between the entity's long-range financial plans and strategic goals? _____

**Long-range
Financial
Plans**

Capital and Debt

#F8. **Mandatory:** The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

1. Does the document define "capital expenditures"? _____
2. Does the document indicate the total dollar amount of capital expenditures for the budget year (both budget years for biennial budgets)? _____
3. Are significant nonrecurring capital expenditures described along with dollar amounts? (Information in a separate CIP document does not satisfy this criterion.) _____
4. If the entity has no significant nonrecurring capital expenditures, is that fact clearly stated in the document? _____

*** Capital
Expenditures**

#F9: The document should describe if and to what extent significant nonrecurring capital investments will affect the entity's current and future operating budget and the services that the entity provides.

1. Are anticipated operating costs associated with significant nonrecurring capital investments described and quantified (*e.g., additional personnel costs, additional maintenance costs, or additional utility costs*)? (Information in a separate CIP document does not satisfy this criterion.) _____
2. Are anticipated savings or revenues expected to result from significant nonrecurring capital investments described and quantified (*e.g., reduced utility costs, lower maintenance costs*)? _____

**Impact of
Capital
Investments on
Operating
Budget**

#F10. **Mandatory:** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current operations.

*** Debt**

1. If the entity has legal debt limits:
 - Are debt limits described? _____
 - Are the amounts of debt limits expressed in terms of total dollars, millage rates or percentages of assessed value? _____
 - Are the amounts of debt subject to debt limits identified in the same terms used to describe the debt limits themselves? _____
2. If the entity has no legal debt limits, is that fact clearly stated within the budget document? _____
3. If the entity does not have and does not intend to issue debt, is that fact clearly stated? _____
4. Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant unappropriated fund and for other funds in the aggregate? _____

Departmental Information

#O3. **Mandatory:** A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

*** Position
Summary
Schedule**

1. Is a summary table of position counts provided for the entire entity? _____
2. Does the table include the prior year, the current year, and budget year position counts? _____
3. Are changes in staffing levels for the budget year explained? _____
4. If there are no changes in staffing levels, is that item noted? _____

#O4. **Mandatory:** The document shall describe activities, services or functions carried out by organizational units.

*** Department
Descriptions**

1. Does the document clearly present the organizational units (*e.g., divisions, departments, offices, agencies, or programs*)? _____
2. Does the document provide descriptions of each organizational unit? _____

#O5: The document should include clearly stated goals and objectives of organizational units (*e.g., departments, divisions, offices or programs*).

**Unit Goals
and
Objectives**

1. Are unit goals and objectives identified? _____
2. Are unit goals clearly linked to the overall goals of the entity? _____
3. Are objectives quantifiable? _____
4. Are timeframes on objectives noted? _____

#O6: The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

**Performance
Measures**

1. Are performance data for individual departments included in the document? _____
2. Are performance data directly related to the stated goals and objectives of the unit? _____
3. Do performance measures focus on results and accomplishments (*e.g., output measures, efficiency and effectiveness measures*) rather than inputs (*e.g., dollars spent*)? _____

Document-wide Criteria

#C3: The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

Statistical/ Supplemental Section

1. Is statistical information that defines the community included in the document (*e.g., population, composition of population, land area, and average household income*)? _____
2. Is supplemental information on the local economy included in the document (*e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities*)? _____
3. Is other pertinent information on the community (*e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*) included in the document? _____

#C4: A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

Glossary

1. Is a glossary that defines technical terms related to finance and accounting, as well as non-financial terms related to the entity, included in the document? _____
2. Are acronyms or abbreviations used in the document defined in the glossary? _____
3. Is the glossary written in non-technical language? _____

#C5: Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

Charts and Graphs

1. Are charts and graphs used in the document to convey essential information (*e.g., key policies, trends, choices and impacts*)? _____
2. Do the graphics supplement the information contained in the narratives? _____

#C6: The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

Understand- ability and Usability

1. Is page formatting consistent? _____
2. Are the main sections of the document easily identifiable? _____
3. Is the level of detail appropriate? _____
4. Are text, tables, and graphs legible? _____
5. Are budget numbers in the document accurate and consistent throughout the document? _____