

# **CITY OF EDGEWATER FLORIDA**

## **ADOPTED BUDGET**

**6.876 MILLS**



**FISCAL YEAR 2013 - 2014**

## BUDGET OVERVIEW

A budget is the “plan of attack” that sets forth the program priorities and allocations of resources available to accomplish the goals of the City of Edgewater during the upcoming fiscal year. It is developed through the combined efforts of the City staff, citizen participation and the elected City of Edgewater officials.

In development of our operating budget we utilize the line item approach to budgeting. Line item budgeting, the simplest and most common method, adds next year's proposed spending increasing on top of the current year's total. This is also called traditional or incremental budgeting. A basic assumption in this budgeting method is that the current level of expenditures is fully justified, programs/operations/administration are continuously evaluated for effectiveness. The City's budget process includes the following steps.

January	City Manager, staff, and City Council discuss goals and objectives for next fiscal year.
Early May	Department heads complete expenditure requests and revenue estimates are required.
Mid May	Department heads with revenue projection responsibilities reviews forecasts with Finance Director.
June	City Manager conducts department budget hearings.
July	Notice of Proposed Property Taxes (TRIM Notice) Calendar begins July 1.
August	City Council conducts public workshops/department presentations. Proposed millage rate due August 4.
Early September	First public hearings.
Mid September	Second public hearings.
October 1	New fiscal year begins, new budget is implemented. Post-audit review of expenditures/expenses of the previous year. Appropriations for the previous year lapse.

In addition to the operating budget, the City of Edgewater considers a Capital Budget. The capital budget reflects items included within the operating budget but are normally non-recurring in nature and have a cost of over \$2,500 and a life span of one year or more.

An important consideration in the budget process is the recognition of the additional operating costs associated with the completion of a capital project. For example, once a capital project is completed, additional personnel may be required on a continual basis for that project.

Capital projects may be financed through the issuance of revenue bonds which evidence the City's obligation to repay a specific amount on a future maturity date, plus interest. Revenue bonds pledge specific sources of revenues, usually generated by the new asset, as the means of repayment. The City of Edgewater may pledge the net revenues generated by the new asset, water and sewer impact fees, various assessments, and other non-ad valorem sources. Another source of financing may be through notes from local financial institutions.

A major component of the budget process is the setting of the Ad Valorem tax millage necessary to raise the required property tax revenue for the upcoming fiscal year. The setting of the millage involves a formal process defined in the Florida Statutes. This is commonly referred to as TRIM (the Truth in Millage Act).

## The Truth in Millage Act

The Truth in Millage Act (TRIM) serves to formalize the property tax levying process by requiring a specific method of tax rate calculation, form of notice, public hearing requirements and advertisement specification prior to the adoption of a budget and tax rate.

The effect of TRIM is to inform taxpayers that their property taxes are changing (up or down), the cause (a change in the assessed value of their property and/or an increase in the proposed spending level) and how the proposed new tax rate compares to the rate that would generate the same property tax dollars as the current year (the “rolled-back” rate).

The rolled-back rate is the rate of property tax required to raise the same tax revenues in the upcoming budget year as in the current year. The City’s rolled back rate is \$6.2525 per \$1,000 of assessed taxable property value.

The following is a TRIM calendar of required actions and maximum deadlines. It assumes that the process begins with the certified tax roll as of July 1, of each year.

<u>Days</u>	<u>Required Action</u>
July 1 (3)	Property Appraiser certifies to the City the taxable value within the boundaries of the city.
Aug 4 (35)	Within 35 days of certification of value, the City shall advise the Property Appraiser of:  (a) Proposed millage rate.  (b) Current year rolled-back rate.  (c) The date, time, and place of the first public hearing.
Aug 24 (55)	No later than 55 days after the certification of value the Property Appraiser shall mail out the Notice of Proposed Taxes (TRIM Notice).
Sep 18 (80)	Within 80 days of certification of value but not earlier than 65 days after certification, the City of Edgewater shall hold a public hearing on the tentative budget and proposed millage rate. This hearing will be publicized via the TRIM Notice mailed out by the Property Appraiser.
Oct 3 (95)	Within 15 days of the meeting adopting the tentative budget, the City shall advertise its intent to finally adopt a millage and budget.
Oct 5-Oct 8 (97 to 100)	A public hearing to finalize the budget and adopt a millage rate shall be held not less than 2 days or more than 5 days after the day that the advertisement is first published. The City in most cases will complete this process before October.
Oct 11 (103)	The resolution or ordinance approved at the final hearing shall be forwarded to the Property Appraiser, and the Tax collector.
Oct 12 (104)	Property Appraiser notifies City of final adjusted tax roll. Within 3 days the City adjusts millage, if applicable, and certifies to the Property Appraiser its adjusted, adopted rate. (Form DR-422)
Nov 7	Not later than 30 days following adopting of its millage and budget ordinance or resolution, each taxing authority shall certify that they have complied with the provisions of Chapter 200, F.S., to the Division of Ad Valorem Tax.

## **EXPLANATION OF REVENUES**

The City of Edgewater utilizes a wide variety of revenues to pay for the many services provided to our citizens. The City attempts to balance its revenue sources to produce long-term solvency while utilizing a revenue mix that is compatible with local circumstances.

The City of Edgewater, by virtue of the state constitution, has general home rule authority in all areas except taxation. The City has the discretion to perform any public service or to enact any ordinance unless specifically prohibited by the state. The constitution requires that municipalities can only levy taxes that the Legislature has specifically authorized by the general law, with the exception of the property tax. The property tax is the only local tax source, which is authorized by the constitution, and it is capped at 10 mills.

The basic revenue categories addressed in this budget overview are as follows: ad valorem property tax, voter approved referendum, City utility taxes, franchise fees, user fees, intergovernmental revenues, local option taxes, occupational license taxes, fines and forfeitures, investment income, contributions and donations, and miscellaneous revenue.

### **Ad Valorem Property Tax/Voter Approved Referendum**

The property/referendum tax is based on the value of real and personal property. Each year, the Volusia County Property Appraiser determines the total value of each parcel of property. The value of residential property represents only the value of the real estate, which includes buildings and improvements; while commercial property includes these values in addition to all relevant personal property. This value is called "assessed value." After subtracting all lawful exemptions (i.e., amendment 1: \$25,000; homestead: \$25,000; additional senior homestead: \$25,000; widow: \$500; widower: \$500; disability: \$500), the remaining value is called "taxable value." It is this figure on which ad valorem property taxes are calculated. The property/referendum tax is calculated by multiplying the taxable value of the property by .001, and then multiplying that number by the rate of taxation, which is referred to as "mills" or "millage rate". One mill is equivalent to \$1 per \$1,000 of taxable value. For example, if you own your own home, and the property appraiser has set the assessed value at \$150,000, the taxable value would be \$100,000 after subtracting your \$25,000 homestead exemption and \$25,000 Amendment 1 exemption. With a combined millage rate of 6.876 mills, you would owe \$687.60 in property taxes ( $\$100,000 \times .001 = \$100$ , and  $100 \times \$6.876 \text{ mills} = \$687.60$ ). This calculation of course is only valid for the City's share of the total millage rate of all the taxing authorities.

During the coming fiscal year ending September 30, 2014, the City estimates to collect \$4,024,382 in current property taxes for general operations, road improvement debt service and voter approved referendum.

### **Municipal Utility Tax**

The City's utility tax is levied on electricity, water, and various gas/propane services at rates of 10% on allowable billing. Sections 166.231, Florida Statute, authorize this tax to be levied. Effective October 1, 2001, the Florida Legislature has replaced telephone utility taxes and telecommunications franchise fee with a flat rate which varies by municipality and county. For fiscal year 2014, the City's rate is 5.22% of taxable sales. This is not a new tax, merely a replacement of the utility taxes and franchise fees normally collected by the City.

## **Franchise Fees**

Franchise fees generate revenues in much the same way as the utility tax; however, it is a fee which is usually levied at rates of 3% to 10% on a company or utility for the privilege of doing business within the municipality's jurisdiction.

## **User Fees**

User fees or charges for services are defined by the Florida Comptroller as "voluntary payments based on direct, measurable consumption of publicly provided goods and services". These revenues, by far, are the single largest category of City revenues. User fees are derived from charged for water, wastewater, reuse water, garbage collections, recycling, storm water management, recreation, building inspections and a variety of other services.

## **Intergovernmental Revenue**

This category is often referred to as "revenue sharing". These revenues are collected by one government unit and shared with other governmental units.

## **Local Option Taxes**

The City receives a share of the local option gas tax.

## **Occupational License Tax**

This occupational license tax represents a minor revenue source. It is levied for the privilege of engaging in or managing any business or occupation within the City's jurisdiction.

## **Fines and Forfeitures**

This revenue category includes receipts from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Fines include court fines, library fines, pollution control violations and violations of local ordinances.

## **Investment Income**

Revenues derived from the investment of case receipts and idle funds are important, yet often overlooked, source of revenues. The City practices good cash management and promotes aggressive revenue collections to maximize cash flow.

## **Contributions and Donations**

This revenue category is comprised of various sources, preliminary gifts, pledges, bequests or grants from non-governmental entities.

## **Miscellaneous Revenue**

The miscellaneous revenue category includes a variety of lesser important sources of revenues that are not separately categorized.

**MILLAGE RATE ANALYSIS**

TAXABLE VALUE CURRENT YEAR (DR-420)	\$616,083,636
TAXABLE VALUE LAST YEAR	590,466,100
TOTAL INCREASE IN NET TAXABLE VALUE THIS YEAR	\$ 25,617,536

This increase is a combined result of new construction, etc. of \$2,149,438 and increased values of \$23,468,098.

Total percentage increase in taxable value is 4.34%.

	<b>MILLAGE RATE</b>	<b>AD VALOREM TAXES</b>
Current year rolled back rate (amount needed to generate same revenues as last year based on this year's taxable value less new construction)	6.2525	\$3,852,063
		X      95%
		\$3,659,460
 FY2013 Approved millage rate which is 3.96% increase over this year's rolled back rate.		 \$4,004,544
	6.5000	X      95%
		\$3,804,316
 Adopted millage rate for FY2014 is 6.8760 mills, which represents a 9.98% increase over the current year rolled-back rate.		 \$4,236,191
		X      95%
		\$4,024,382