



TOWN OF MELBOURNE BEACH

TOWN COMMISSION WORKSHOP

October 14, 2026

6:00 PM

AGENDA PACKET

Town of Melbourne Beach

TOWN COMMISSION WORKSHOP
WEDNESDAY, OCTOBER 14, 2026 @ 6:00 PM
COMMUNITY CENTER – 509 OCEAN AVENUE

PUBLIC NOTICE **AGENDA**

Commission Members:

Mayor Alison Dennington
 Vice Mayor Terry Cronin
 Commissioner Anna Butler
 Commissioner Tim Reed
 Commissioner Sherri Quarrie

Staff Members:

Town Manager A. Marie Smith
 Town Clerk Cyd Jones

1. Call to Order

2. Roll Call

3. Pledge of Allegiance, Moment of Silence, and Civility Pledge

The Commission and Staff of The Town of Melbourne Beach pledge to conduct all public discourse in a civil manner. The Mayor and all members of the Commission will treat one another with courtesy and respect and ask the public to do the same toward the Commission, each other, and toward Staff. We will be respectful of one another even when we disagree. We will direct all comments toward the issues. We will avoid personal attacks.

4. Public Comment

After being acknowledged by the Mayor, members of the public should state their name and address for the record. The Commission encourages citizens to prepare their comments in advance. Each individual will have three (3) minutes to address the Commission on any topic(s) related to Town business, not on the Agenda. Please remember to sign the sign-in sheet provided if you will be speaking at the meeting.

5. New Business

- A. Discussion of Reserve Fund Policy – Town Manager A. Marie Smith & Town Attorney Ryan Knight

6. Adjournment

PURSUANT TO SECTION 286.0105, FLORIDA STATUTES, THE TOWN HEREBY ADVISES THE PUBLIC THAT: In order to appeal any decision made at this meeting, you will need a verbatim transcript of the proceedings. It will be your responsibility to ensure such a record is made. Such person must provide a method for recording the proceedings verbatim as the Town does not do so. In accordance with the Americans with Disability Act and Section 286.26, Florida Statutes, persons needing special accommodations for this meeting shall, at least 5 days prior to the meeting, contact the Office of the Town Clerk at (321) 724-5860 or Florida Relay System at 711.

Town Commission Workshop

Section: New Business

Meeting Date: October 14, 2026

From: Town Manager and Town Attorney

RE: Discussion and approval of Reserve Fund Policy

Background Information:

At the last Regular Town Commission Meeting, the Commission agreed to hold a workshop on reserve fund policy to include procedures on how to manager the town's financial reserves and payback policy. The town attorney drafted a policy, which is attached for consideration. From the draft policy, the following dollar amounts are attributed to the respective percentage amounts in the document:

- Fund Balance Reserve (20%) = \$1.03M
- Unassigned Fund Reserve (10%) = \$512,682
- Emergency Reserve (5%) = \$256,341
- Capital Reserve (5%) = \$256,341

The Government Finance Officers Association (GFOA) recommends: "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." For the Town of Melbourne Beach that would be approximately \$854,470.

In geographic zones prone to hurricanes, the recommended amount of reserves is three to six months for moderate threat zones and six to nine months for vulnerable coastal areas. (For context 6 months would equal \$2.56M.)

In establishing this policy, the GFOA suggests government entities should consider the following:

- The predictability of revenues and the volatility of its expenditures (i.e., higher levels of reserve fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- Perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts).

- The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds.

With respect to use and replenishment, the reserve balance policy should define conditions for use and a plan to replenish it if it falls below the ascribed level as defined in policy. In that context, the GFOA recommends the following:

- Define the time period within which fund balances will be used.
- Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of reserve balance as a financing bridge.
- Describe the time period over which the components of reserve fund balance will be replenished and the means by which they will be replenished. (Generally, it should be within one to three years of use.)

For the time period, there are a number of factors that impact the replenishment time horizon:

- Recovering from an extreme event.
- Financial planning time horizons.
- Long-term forecasts and economic conditions.
- External financing expectations.

If the town is fortunate enough to find itself in a position with an amount of reserve fund balance over our formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future, we may want to consider a policy as to how this would be addressed as well.

For further research into reserve policies, the GFOA has a repository of financial policy examples, which can be found here: <https://www.gfoa.org/fpc-reserves>.

Recommendation:

Discuss what the Commission would like to see in the Reserve Fund policy and allow the town attorney and town manager to make adjustments as needed.

Attachment:

Draft Reserve Fund Policy

Samples of Reserve Fund Policies

Draft Reserve Fund Policy

Purpose: The purpose of establishing a Reserve Fund Policy is to promote short and long-term fiscal stability through economic cycles and emergencies, such as storm-related events, as well as to provide resources necessary to allow to continuous operation without resorting to external sources of liquidity. The Town's Reserve Fund Policy shall consist of three components: Unassigned Fund Reserve, Emergency Reserve, and Capital Reserve.

Total Fund Balance Reserve

The total amount of the Reserve Fund shall equal a minimum of 20% of General Fund Expenditures for the most recently concluded Fiscal Year. The amount of the reserve shall be calculated annually as of September 30 and compliance with this overall Reserve Fund Policy shall be reported to the Town Commission upon completion of the prior year audit.

Unassigned Fund Reserve

The Unassigned Fund Reserve is designed to be a permanent safeguard to respond to severe budget disruptions caused by external factors including but not limited to severe economic downturns, emergencies within the Town boundaries, and sudden revenue declines due to external factors. The amount of the Unassigned Fund Reserve shall be equal to 10% of General Fund Expenditures for the most recently concluded Fiscal Year.

The Unassigned Fund Reserve shall not be used for emergency spending or to balance the Town's budget unless a majority of the Town Commission votes to approve the use of Unassigned Fund Reserve funds upon the recommendation of the Town Manager and Finance Director. Any proposed use of the Unassigned Fund Reserve shall be accompanied by a fiscal recovery plan that outlines how the Unassigned Fund Reserve will be restored to the required amount within the ensuing three fiscal years following the fiscal year in which usage is approved.

Emergency Reserve

The Emergency Reserve is intended to address necessary use of funds as a result of a state or federal declared state of emergencies in which the Town or Brevard County is included. The Emergency Reserve shall be available, over and above the Unassigned Fund Reserve, to address immediate funding needs resulting from state or federal declared state of emergencies. Absent a state or federal declared state of emergency, funds in the Emergency Reserve shall not be used.

The Emergency Reserve shall be maintained in an amount equal to 5% of General Fund Expenditures for the most recently concluded Fiscal Year. A majority of the Town Commission may vote to approve the use of Emergency Reserve funds upon the recommendation of the Town Manager and Finance Director.

Capital Reserve

The Capital Reserve is intended to be used for periodic maintenance and improvements of infrastructure and future infrastructure improvements. The Town recognizes that funding capital maintenance and

improvements should have annual, ongoing funding mechanism in addition to the use of one-time expenditures in order to minimize additional costs to residents and businesses associated with deferred maintenance and improvements. The Capital Reserve shall be maintained in an amount equal to 5% of General Fund Expenditures for the most recently concluded Fiscal Year. A majority of the Town Commission may vote to approve the use of Capital Reserve funds upon the recommendation of the Town Manager and Finance Director.

RESOLUTION NO. 2023-79

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FORT MYERS, FLORIDA, AMENDING RESOLUTION NO. 2022-4, BY UPDATING THE CITY OF FORT MYERS FUND BALANCE POLICY; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS: The Governmental Accounting Standards Board ("GASB") adopted Statement 54 ("GASB 54"), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010; and

WHEREAS: It is a formal requirement of GASB Statement 54 that Fund Balance Classification policies and procedures be disclosed as part of year-end financial statement preparation; and

WHEREAS: The City Council established and approved a Fund Balance Policy consistent with the Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions on September 26, 2011 pursuant to Resolution No. 2011-35; and

WHEREAS: The City Council updated its Fund Balance Policy, pursuant to Resolution 2022-4, remaining consistent with GASB Statement 54 and taking into account Best Practices and Fund Balance

RESOLUTION NO. 2023-79

Guidelines as established by the Government Finance Officers Association; and

WHEREAS: The City Council updated its Fund Balance Policy, to include an Emergency Contingency Fund to its definition of the General Fund “Group of Funds” for consolidation purposes in the Annual Comprehensive Financial Report pursuant to Resolution No. 2023-79; and

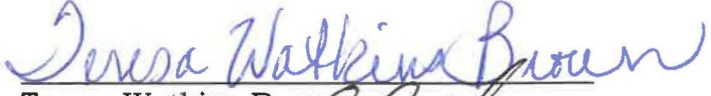
WHEREAS: Such updated policy has been prepared and a copy thereof is attached hereto as Exhibit A.

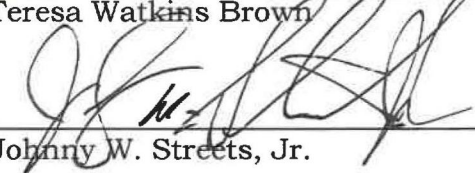
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT MYERS, FLORIDA, that:

1. The updated Fund Balance Policy dated November 20, 2023, is hereby adopted.
2. If any one or more of the provisions herein contained shall be held contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such provisions shall be null and void and shall be deemed separate from the remaining provisions of this Resolution.
3. **EFFECTIVE DATE.** This Resolution shall become effective immediately upon adoption.

RESOLUTION 2023-79

PASSED IN PUBLIC SESSION of the City Council of the City of Fort Myers, Florida, on November 20, 2023.

yes 
Teresa Watkins Brown

yes 
Johnny W. Streets, Jr.

Terolyn P. Watson

yes 
Liston D. Bochette, III

Fred Burson

yes 
Darla Bonk
Council Members

APPROVED on November 20, 2023.

yes 
Kevin B. Anderson
Mayor

FILED in the Office of the City Clerk on November 20, 2023.




Gwen Carlisle, MMC
City Clerk

RESOLUTION NO. 2023-79**Exhibit A****CITY OF FORT MYERS, FLORIDA****FUND BALANCE POLICY****Updated and Amended: November 20, 2023****I. Purpose**

In accordance with sound financial planning principles and recommended best practices of the Government Finance Officers Association (GFOA), it is essential that governments maintain adequate levels of fund balance for the financial health of the city, to maintain high bond ratings and to ensure the city's ability to serve its citizens, and meet emergency needs and unforeseen circumstances. Accordingly, some of the funds will have fund balance reserve targets which are not requirements but are considered goals of the city. The General Fund "Group of Funds" fund balance target shall be considered appropriate in the amount of 20% of the current year's operating appropriations for the General Fund "Group of Funds". The budgetary fund balance of the General Fund, Cemetery Trust Fund, Land Acquisition Fund, Off Duty Pay Fund, Beautification Fund, Submerged Land Lease Fund, Southwest Florida Enterprise Center Fund and Emergency Contingency Fund are included within the General Fund "Group of Funds" fund balance for purpose of determining if the target has been achieved.

II. Definitions

In compliance with governmental accounting standards, the following terminology will be used in reporting the City's fund balances:

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Fund Balance - As defined by the Governmental Accounting, Auditing and Financial Reporting of the Government Finance Officers Association, fund balance is "The difference between assets and liabilities reported in a governmental fund."

Nonspendable Fund Balance – amounts that are not in spendable form or are required (legally or contractually) to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as the long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes either (a) by external providers, such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation. Enabling legislation that creates a revenue stream must also stipulate the purposes for which that revenue can be used. Restrictions may only be changed by parties external to the City.

Unrestricted Fund Balance:

Committed Fund Balance – amounts constrained to specific purposes by formal action (resolution) of the City Council, the City's highest level of decision-making authority. These amounts are not subject to legal enforceability by external parties, as in restricted fund balance; however, these amounts cannot be used for any other purpose unless the City Council removes or changes the limitation by taking the same form of action (resolution) it employed to previously impose the limitation.

Assigned Fund Balance – amounts the City intends to use for specific purposes but are neither restricted nor committed. Intent can be expressed by the City Council, City Manager, Financial Services Director or other subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes. Included in this category is any fund balance carry-forward used to balance the subsequent year's budget.

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Unassigned Fund Balance - The residual portion of fund balance for the General Fund that is in excess of non-spendable, restricted, committed and assigned fund balance. Unassigned residual deficits may apply to other governmental funds to the extent that fund balances are insufficient to satisfy restricted and committed balances.

III. Fund Balance Reserve Targets – Governmental Funds

The General Fund reserve target is 20% of the current year budgeted appropriations in that fund (excluding any internal transfers to other funds within the General Fund “Group of Funds”). For purposes of determining if the target has been met, the budgetary fund balance of the General Fund “Group of Funds”, as consolidated in the Annual Comprehensive Financial Report, is compared with the annual appropriation. The General Fund “Group of Funds” includes General Fund (002), Cemetery Trust Fund (003), Land Acquisition Fund (102), Off Duty Pay (103), Beautification Fund (107), Submerged Land Lease (119), Southwest Florida Enterprise Center (134) and Emergency Contingency Fund as well as any additional funds that would be included in the future General Fund for financial reporting purposes per GASB Statement 54.

Other governmental funds of the City do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case-by-case basis, based on the needs of each fund, and as recommended by the City Manager and Financial Services Director, or designee, and approved by City Council. Debt Service funds reserves shall include deposits as required by the bond covenants for each outstanding bond issue. The City shall make every effort to transfer only specific amounts, at specific times, as required under the bond covenants for each bond issue.

IV. Reserve Policy – Enterprise Funds

The Utility Operating Fund, Solid Waste Fund and Stormwater Fund will strive to maintain unrestricted net assets equal to 25% of the budgeted annual operating expenses for the current year to provide approximately a 90-day reserve for operating expenses.

The various other enterprise and internal service funds of the City have vastly differing objectives, cash flows and revenue patterns. As a result,

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no one level of reserves is appropriate for every fund. In addition, some of the enterprise funds receive an annual subsidy from the General Fund. In those cases, there is no established reserve target for the subsidized fund. If the fund becomes self-supporting, consideration will be given to establishing a reserve target. Therefore, the appropriate level of net assets in all enterprise and internal service funds, other than the Utility Operating Fund, Solid Waste Fund and Stormwater Fund, will be determined on a case-by-case basis due to the specific needs of the fund. The City Manager, Financial Services Director, or other designee shall determine the level.

V. Stabilization Fund

Stabilization funds are a type of reserve fund maintained to offset economic downturns, natural disasters, and other unforeseen events. Government stabilization funds should be reported in the Annual Comprehensive Financial Report as committed fund balances in the appropriate fund and the level of funding shall be reviewed annually by City Council. Additions to or reductions from a stabilization fund shall be approved by City Council as part of the budget process or the supplemental appropriation process. Establishing the proper balances in stabilization funds shall take into account risk exposure related to self-insurance and property insurance deductibles in the event of major storm damage to city assets. Transfers from stabilization funds will not be allowed if they would cause the fund to be in a deficit position.

In the event that the City has the financial capacity to establish an Emergency Contingency Fund, such fund shall be a permanent Fund with an annual balance of 2% - 4% of budgeted General Fund revenues. Funds held in the Emergency Contingency Fund may be used to cover costs associated with emergencies occurring within city limits. The City Manager will determine qualified uses of the funds held in the Emergency Contingency Fund on a case-by-case basis. Permitted uses of the Emergency Contingency Fund have been established by City Council with Resolution 2022-4 adopted by City Council on January 31, 2022. The City Manager will promptly notify City Council any time Emergency Contingency Fund monies are to be used.

The Emergency Contingency Fund will be funded pursuant to Section VII of this policy and will be maintained pursuant to Section VIII of this

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policy. City Council may increase or decrease the target balance of the Emergency Contingency Fund by formal action.

VI. Spending Order of Fund Balances

In determining the classification of total spendable fund balance remaining at the end of the fiscal year when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, expenditures will be applied first to restricted fund balance and then to unrestricted fund balance.

Within unrestricted fund balance, the order in which the expenditures will be applied, when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used, is as follows: Committed, Assigned, Unassigned.

VII. Minimum Reserve Requirement

In the event funds are not available to establish the balances required under this policy, the unrestricted fund balance target shall be achieved by adding a designated amount to the budget to cover the deficiency over a period not to exceed three (3) years.

VIII. Replenishment of Minimum Reserve Deficits

If it is anticipated at the completion of any fiscal year that the projected or estimated amount of unrestricted fund balance will be less than the minimum requirement, then the City Manager shall prepare and submit in conjunction with the proposed budget a plan for the expenditure reductions and/or revenue increases necessary to restore the minimum requirements in the subsequent budget year or other appropriate period as stipulated in the minimum reserve requirement section.

IX. Budgeting

Appropriation of Unrestricted Fund Balance

The actual amount of unrestricted fund balance (total of committed fund balance, assigned fund balance and unassigned fund balance) is not known until the completion of the annual audit, which takes place between four to six months after the end of the fiscal year being audited.

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However, an estimate of unrestricted fund balance (also called estimated beginning fund balance) must be made during the annual budget adoption process (July through September), which is prior to September 30th, the end of the fiscal year.

X. Annual Review

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process, and revisions to the levels of fund balance shall be determined during the process.

Funds which exceed their established fund balance target by 10% or more for two consecutive years will be reviewed by the City Manager and Financial Services Director, or designee. If appropriate and permitted by law, the amount over the target will be transferred to the General Fund, or other fund of the City, with the approval by City Council.

Funds which fall below their established fund balance target by 10% or more for two consecutive years will be reviewed by administration. If it is determined that the fund balance target level is still appropriate, a corrective action plan to restore the fund to the appropriate level will be submitted to City Council for approval.

XI. Additional Requirements and Responsibilities

It will be the responsibility of the Financial Services Department to execute the Policy and keep the policy current.

XII. Effective Date

The Policy shall take effect immediately upon its adoption and will be applied with the preparation of the City's September 30, 2023, Annual Comprehensive Financial Report.

City of Sarasota, Florida
FINANCIAL POLICIES

Operating Budget Policies

- The City will comply with all Federal, State or local legal requirements pertaining to the operating budget, including the adoption of a balanced budget. A balanced budget is achieved when the amounts available from taxation and other sources, including amounts carried over from prior fiscal years, equals the total appropriations for expenditures and reserves.
- The City will employ a structured budget preparation and formulation process that will be used by all entities receiving funding from the City. The process employed will ensure adequate citizen input and participation.
- The City will employ a structured expenditure and revenue forecasting system to allow for effective financial planning. Multi-year projections will be utilized in developing the operating budget.
- Essential services will receive first priority for funding. The City will attempt to maintain current service levels for all essential services.
- The City will identify low priority services for reduction or elimination, if necessary, before essential services.
- The City will consider the establishment of user fees as an alternative to service reductions or elimination.
- In all actions to balance the budget, the City will attempt to avoid layoffs of permanent employees. If possible, personnel reductions will be scheduled to come primarily from attrition.
- The City will pay for all current expenditures with current revenues. Long-term debt will not be used for funding current expenditures.
- The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing necessary expenditures, accruing future years' revenues or rolling over short-term debt.
- The budget will provide for adequate maintenance and repair of capital plant and equipment and for their orderly replacement.
- The City will establish an equipment replacement fund and will charge the user fund annually for replacement of the equipment. The amount of the charge will provide funds for the projected future cost of replacing the equipment.
- The budget will provide sufficient funding to cover annual debt retirement costs.
- The City will consider technological and capital investment programs which are cost effective and which will reduce operating costs as high funding priorities.
- The City will maintain a budgetary control system to ensure adherence to the budget and will use a budget/encumbrance control system to ensure proper budgetary control.
- The City administration will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.

*City of Sarasota, Florida***FINANCIAL POLICIES**

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- Where possible, the City will integrate service levels and performance measures within the budget.
 - At least annually a public auction will be held of surplus and obsolete property.
 - The goal of all enterprise fund operations is to be self-supporting and to pay administrative and other appropriate service charges to the General Fund for administrative support.
 - The total number of employment positions (FTE's) approved in the annual operating budget may not be exceeded without prior approval of the City Commission.
 - The City will coordinate the CIP budget and the operating budget in terms of operating costs associated with CIP items.
 - The City will annually seek the Distinguished Budget Presentation Award offered by the Government Finance Officers Association (GFOA).
-

Fund Balance and Reserve Policies

- The City will establish an unassigned fund balance in the General Fund for emergency purposes and/or liquidity purposes of 2 to 3 months of general fund expenditures to indicate that it is in sound financial condition.
 - A revenue stabilization fund will be established to minimize the impact of varying economic conditions on the City's budget.
 - The City will establish insurance reserves for self-insurance liabilities. Such reserves will be reviewed annually for adequacy.
 - Unassigned fund balance will only be used for expenditures that are either non-recurring in nature or that have a benefit period longer than one operating period. City Commission approval is necessary for this type of expenditure.
 - All fund balances for budgeted funds will be presented in the annual budget.
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Revenue Policies

- The City will take active measures to encourage economic development, thereby developing a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
- The City will establish user charges and fees at a level closely related to the full cost of providing the services (i.e. direct, indirect and capital costs), taking into consideration similar charges/fees being levied by other organizations.
- The City will recalculate the full cost of activities supported by user fees to identify the impact of inflation and other cost increases and will revise user fees upon approval of the Commission.

*City of Sarasota, Florida***FINANCIAL POLICIES**

- The targeting of specific revenues for special programs or projects is discouraged, as it promotes fiscal inflexibility. However, intergovernmental grant assistance will be targeted as much as possible toward capital improvements.
 - The City will aggressively seek Federal and State grants and evaluate future local fiscal impacts.
-

Debt Policies

- The City will issue bonds only for capital improvements including infrastructure and equipment with a life in excess of four years.
 - Whenever possible, the City will use special assessment, revenue, or self-supporting bonds instead of general obligation bonds.
 - The City will limit general obligation bonds to no greater than ten (10) percent of the non-exempt assessed valuation of the real property of the City.
 - The term of any bonds shall not exceed the useful life of the expenditure being financed.
 - The City will not issue notes or bonds to subsidize or finance current operations.
 - The City will publish and distribute an official statement for each bond issue.
 - If cost effective, the City will purchase private bond insurance at the time of issuance.
 - General obligation debt will not be used to finance the activities of enterprise funds whether of a capital or operating nature.
 - The City will defease existing bond issues if the resulting savings is significant.
 - The City will maintain an adequate debt service fund regarding each bond issue.
 - The City will seek to maintain high bond ratings in order that borrowing costs are minimized and access to credit is preserved.
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Cash Management / Investment Policies

- The City will deposit all cash receipts within twenty-four hours of receipt.
- The City will collect revenues aggressively, including past due bills of any type and will utilize an outside collection agency to accomplish this.
- The City will maintain a prudent cash management and investment program in order to meet daily cash requirements, increase funds available for investment, and earn maximum rates of return on invested funds with appropriate security.
- The City will follow its adopted investment/portfolio policy when handling public funds.

City of Sarasota, Florida

FINANCIAL POLICIES

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- The Financial Administration Department/ Investment Manager will present a quarterly report on investments to the City's Investment Committee.
 - Where permitted by law, the City will pool cash from each eligible fund for investment purposes.
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Accounting, Auditing & Financial Reporting

- An independent audit will be performed annually, including the issuance of a management letter.
 - The City administration will promptly evaluate the audit management letter recommendations, determine the proper actions in response to these recommendations and complete, within established time frames, all actions that correct or otherwise resolve the matters included in the management letter.
 - The City will produce financial reports in accordance with Generally Accepted Accounting Principles (GAAP).
 - The City Commission will be provided monthly with budget reports comparing actual versus budgeted revenue and expense activity.
 - The City will annually seek the Certificate of Achievement for Excellence in Financial Reporting award offered by the Government Finance Officers Association (GFOA).
 - The City will maintain the highest level of accounting practices consistent with generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB).
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Capital Improvement Plan Policies

- The City will adopt the first year of a multi-year plan for capital improvements, update it annually and make every attempt to complete all capital improvements in accordance with the plan.
 - The City will coordinate the development of the CIP budget with the development of the operating budget to ensure future operating expenditures and revenues associated with new capital improvement will be projected and incorporated into the current and future operating budgets.
 - The City will determine the least costly financing method available for all new capital improvement projects.
 - All projects in the Comprehensive Improvement Element (CIE) of the City's Comprehensive Plan will be included in the Capital Improvement Plan.
 - The Capital Improvement Plan Committee will review and evaluate each proposed and ongoing project, based on criteria established by the City Commission, prior to any project being included in the CIP.
 - The City will maintain its physical assets at a level adequate to protect the City's capital investment and minimize future maintenance and replacement costs.
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RESOLUTION NO. 2019-30954

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION NO. 2006-26341, WHICH ADOPTED THE CITY OF MIAMI BEACH FINANCIAL POLICIES RELATING TO STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF PROGRAM AND SERVICES, TO INCORPORATE REVISIONS TO THE STABILIZATION FUNDS AND FUND BALANCE/CONTINGENCY PLANNING AND CASH RESERVES POLICY (GENERAL FUND RESERVE POLICY), AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION NO. 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE.

WHEREAS, on September 21, 2006, the City Commission adopted Resolution No. 2006-26341, which formalized the City's financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs; and

WHEREAS, on January 16, 2019, the City Commission adopted Resolution No. 2019-30664, which revised the City's Resort Tax Reserve Policy to address the concerns of the Mayor's Blue-Ribbon Emergency Response and Budget Advisory Committees; and

WHEREAS, at the May 21, 2019 Commission Budget Workshop, the Administration recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position; and

WHEREAS, at the July 26, 2019 Finance and Citywide Projects Committee meeting, the Committee recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position; and

WHEREAS, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for Generally Accepted Accounting Principles (GAAP) and budgetary purposes; and

WHEREAS, the GFOA recommends that the adequacy of unrestricted fund balance in the General Fund should take into account each government's own unique circumstances; for example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants, may need to maintain a higher level in the unrestricted fund balance; and

WHEREAS, the GFOA recommends, at a minimum, that general purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than 2 months of the general fund budget; and

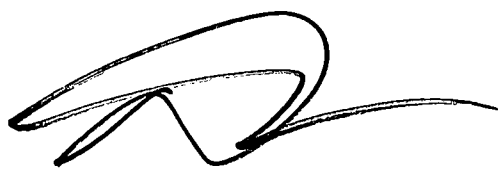
WHEREAS, the City of Miami Beach's current reserve policy is consistent with the GFOA's minimum General Fund reserve recommendation, and the City's current reserve policy establishes an 11% reserve of the General Fund Operating Budget for emergencies and a goal to maintain a General Fund Reserve for Contingencies equal to 6% of the General Fund Operating Budget, for a combined total of 17%, which represents 2 months of the General Fund Operating Budget expenditures; and

WHEREAS, in light of the City's vulnerability to storm events and dependence on volatile Resort Tax revenues, the objective of the proposed changes to the General Fund Reserve Policy is to increase the required reserve for emergencies from 11% to 17%; increase the goal for reserve for contingencies from 6% to 8%; and effectively increase the total reserve target from 17% to 25%, or from 2 months to 3 months of the City's General Fund Operating Budget; and

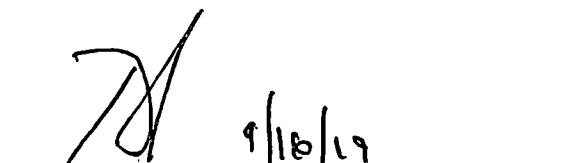
NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND THE CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, the Mayor and City Commission hereby accept the recommendation of the Finance and Citywide Projects Committee at its July 26, 2019 meeting, and amending and restating Resolution No. 2006-26341, which adopted the City of Miami Beach Financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs, to incorporate revisions to the Stabilization Funds and Fund Balance/Contingency Planning and Cash Reserves Policy (General Fund Reserve Policy), as set forth in the attached Exhibit A, which shall replace and supersede the General Fund Reserve Policy set forth in Resolution No. 2006-26341, and which is consistent with the recommendation of the City's Budget Advisory Committee.

PASSED and ADOPTED, this 11th day of September, 2019.

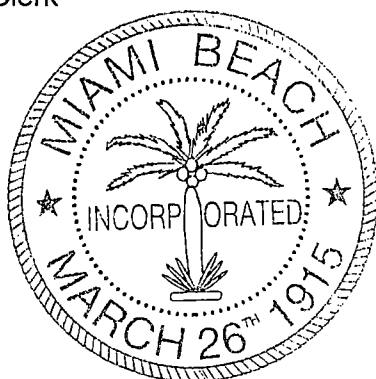
ATTEST:



Dan Gelber, Mayor



9/18/19
Rafael E. Granado, City Clerk



**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**

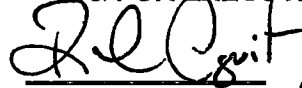
 8/29/19
City Attorney Date

EXHIBIT A

**CITY OF MIAMI BEACH FINANCIAL POLICIES
RELATING TO
STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH
RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION,
MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF
PROGRAMS AND SERVICES**

Stabilization Funds & Fund Balance/Contingency Planning and Cash Reserves

1. The City of Miami Beach shall maintain the Emergency Reserve at seventeen ~~eleven~~ percent (~~44~~ 17%) of the General Fund Operating Budget of the ensuing year (~~44~~ 17% Emergency Reserve) for use as defined in resolution 98- 22661.
2. The City of Miami Beach shall have a goal to also maintain a General Fund Reserve for Contingencies equal to at least ~~six~~ eight (~~6-8~~%) of the General Fund Operating Budget that, in combination with the ~~44~~ 17% Emergency Reserve, represents ~~two-three~~ (~~2-3~~) months of the General Fund Operating Budget expenditures.
3. Said reserve shall be increased or decreased annually but shall be maintained at a minimum of ~~six~~ eight percent (~~6~~ 8%) of the then existing General Fund Operating Budget.
4. Once the General Fund Reserve for Contingencies goal of eight percent (8%) is initially achieved, if the amount falls below the ~~six~~ eight percent (~~6~~ 8%) level, a plan of action will be required to increase the reserves over three (3) to seven (7) years to at least ~~six~~ eight percent (~~6~~ 8%) and a percentage of any additional undesignated fund balance shall be earmarked toward attainment of the ~~six~~ eight percent (~~6~~ 8%) level.
5. The City of Miami Beach shall have a goal to develop and maintain appropriate levels of reserves in the Enterprise Funds as in the General Fund.
6. The City of Miami Beach shall have a goal of maintaining a reserve of one hundred percent (100%) of pending claims in the Risk Management Fund and shall strive to fund two-thirds (2/3) of the estimated value of insurance claims incurred but not reported.

Use of Non-Recurring Revenues

The City of Miami Beach will use one-time, non-recurring revenue for capital expenditures or one time expenditures and not to subsidize recurring personnel, operations and maintenance cost.

Capital Asset Acquisition, Maintenance, Replacement and Retirement

1. The City shall maintain a dedicated portion of operating millage for General Fund Capital Renewal and Replacement as defined in Resolution 2005-25832.

2. The City shall have a goal to fund for the following capital needs as a permanent part of the budget in an amount not less than five percent (5%) of the annual fiscal operating budget of the General Fund of the City:
 - **Capital Renewal and Replacement** – to ensure adequate funding for the renewal and replacement of the City's General Fund facilities to extend the useful life or replace equipment whose useful life has expired.
 - **Capital Reserve Fund** – to help ensure adequate funding related to previously approved capital projects for expenditures due to bids that are over-budget, change orders, or other unforeseen items for General Fund projects.
 - **Pay-As-You-Go Capital Fund** – to ensure adequate on-going reinvestment in capital plant and equipment and avoid deferring capital needs until there is a major bond issue. The City of Miami Beach Resolution 2018-30429, dated July 25, 2018, established a dedicated millage commencing in FY 2019 to continue funding General Fund capital projects while simultaneously allowing for growth over time with property values.
 - **Capital Investment Upkeep Fund** – to help ensure adequate funding for General Fund non-facility related upkeep.
 - **Information and Communications Technology Fund** – to help ensure adequate funding for the procurement of new or enhanced information and technology needs of the City.
3. The City shall strive to achieve as a goal that annual General Fund revenues in excess of expenditures shall be transferred to the Capital Reserve Fund.
4. The City shall have a goal to develop and maintain appropriate levels of capital reserves in the Enterprise Funds as in the General Fund.

Guiding the Design of Programs and Services

1. The City of Miami Beach shall create a strategic plan that identifies multi-year strategic priorities (~~Key Intended Outcomes~~) with corresponding result measures for each priority.
2. Annually, the City of Miami Beach shall use a strategic planning process to develop initiatives that support the strategic plan priorities.
3. The budget process and format shall be performance-based and focused on Key Intended Outcomes and performance measures.
4. Any new initiatives not core to the City's core mission or Key Intended Outcomes identified in the strategic plan that is greater than 0.5% of budget for the fund impacted per year, or cumulatively, shall be first considered as part of the City's annual strategic planning process to develop initiatives.

Resolutions - C7 Q

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
 FROM: Jimmy L. Morales, City Manager
 DATE: September 11, 2019

SUBJECT: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION NO. 2006-26341, WHICH ADOPTED THE CITY OF MIAMI BEACH FINANCIAL POLICIES RELATING TO STABILIZATION FUNDS; FUND BALANCE; CONTINGENCY PLANNING AND CASH RESERVES; USE OF NON-RECURRING REVENUES; CAPITAL ASSET ACQUISITION, MAINTENANCE, REPLACEMENT AND RETIREMENT; AND GUIDING THE DESIGN OF PROGRAM AND SERVICES, TO INCORPORATE REVISIONS TO THE STABILIZATION FUNDS AND FUND BALANCE/CONTINGENCY PLANNING AND CASH RESERVES POLICY (GENERAL FUND RESERVE POLICY), AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION NO. 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE.

RECOMMENDATION

See attached Memorandum

Legislative Tracking

Office of Management and Budget

Sponsor

Commissioner Samuelian

ATTACHMENTS:**Description**

- ▢ Memo-Amend General Fund Reserve Policy
- ▢ Resolution

MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: September 11, 2019

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE AT ITS JULY 26, 2019 MEETING, AND AMENDING AND RESTATING RESOLUTION 2006-26341 TO INCORPORATE REVISIONS TO THE GENERAL FUND RESERVE POLICY, AS SET FORTH IN THE ATTACHED EXHIBIT A, WHICH SHALL REPLACE AND SUPERSEDE THE GENERAL FUND RESERVE POLICY SET FORTH IN RESOLUTION 2006-26341, AND WHICH IS CONSISTENT WITH THE RECOMMENDATION OF THE CITY'S BUDGET ADVISORY COMMITTEE**

Background

On September 21, 2006, the City Commission adopted the City's financial policies relating to Stabilization Funds; Fund Balance; Contingency Planning and Cash Reserves; Use of Non-Recurring Revenues; Capital Asset Acquisition, Maintenance, Replacement and Retirement; and Guiding the Design of Programs and Services by adopting Resolution 2006-26341.

On January 16, 2019, the City Commission accepted the recommendation of the Finance and Citywide Projects Committee to revise the City's Resort Tax Reserve Policy, which addressed the concerns of the Mayor's Blue-Ribbon Emergency Response and Budget Advisory Committees.

At the May 21, 2019 Commission Budget Workshop, the Administration recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position.

At the July 26, 2019 Finance and Citywide Projects Committee meeting, the Committee recommended a revision of the City's General Fund Reserve Policy to help maintain or improve the City's credit rating and financial position.

Analysis

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for GAAP and budgetary purposes.

The adequacy of unrestricted fund balance in the General Fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants, may need to maintain a higher level in the unrestricted fund

RESTATE AND REVISE RESOLUTION 2006-26341 TO REVISE THE GENERAL FUND RESERVE POLICY

Page 2

balance.

The GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their General Fund of no less than 2 months of the General Fund budget.

Miami Beach's current reserve policy is consistent with the GFOA's minimum General Fund reserve recommendation. The City's current reserve policy establishes an 11% reserve of the General Fund Operating Budget for emergencies. In addition, the City has a goal to maintain a General Fund Reserve for Contingencies equal to 6% of the General Fund Operating Budget. In combination, the total of 17% represents 2 months of the General Fund Operating Budget expenditures.

In light of the City's vulnerability to storm events and dependence on volatile Resort Tax revenues, the objective of the proposed changes to the General Fund Reserve Policy is to:

- Increase the required reserve for emergencies from 11% to 17%
- Increase the goal for reserve for contingencies from 6% to 8%
- Increase the total reserve target from 17% to 25% or from 2 months to 3 months of operating revenues.

The current General Fund reserve is estimated to be 20.3% or \$67.1 million. This amount meets the proposed required 17% emergency reserve and 3.2% of the proposed 8% goal for reserve for contingencies.

Budget Advisory Committee Endorsement

On July 17, 2019, the Budget Advisory Committee reviewed the proposed revision to the General Fund Reserve Policy. Although there were not enough members present to form a quorum to approve a motion to recommend this proposed revision, the members in attendance endorsed the proposed change to the City's General Fund Reserve Policy.

General Fund Reserve Policy (Blackline Version)

1. *The City of Miami Beach shall maintain the Emergency Reserve at seventeen ~~eleven~~ percent (~~11~~ 17%) of the General Fund Operating Budget of the ensuing year (~~11~~ 17% Emergency Reserve) for use as defined in resolution 98- 22661.*
2. *The City of Miami Beach shall have a goal to also maintain a General Fund Reserve for Contingencies equal to at least ~~six~~ eight (~~6~~ 8%) of the General Fund Operating Budget that, in combination with the ~~11~~ 17% Emergency Reserve, represents ~~two~~ three (~~2~~ 3) months of the General Fund Operating Budget expenditures.*
3. *Said reserve shall be increased or decreased annually but shall be maintained at a minimum of ~~six~~ eight percent (~~6%~~ 8%) of the then existing General Fund Operating Budget.*
4. *Once the General Fund Reserve for Contingencies goal of eight percent (8%) is initially achieved, if the amount falls below the ~~six~~ eight percent (~~6~~ 8%) level, a plan of action will*

RESTATE AND REVISE RESOLUTION 2006-26341 TO REVISE THE GENERAL FUND
RESERVE POLICY

Page 3

be required to increase the reserves over three (3) to seven (7) years to at least ~~six~~ eight percent (6 8%) and a percentage of any additional undesignated fund balance shall be earmarked toward attainment of the ~~six~~ eight percent (6 8%) level.

5. *The City of Miami Beach shall have a goal to develop and maintain appropriate levels of reserves in the Enterprise Funds as in the General Fund.*
6. *The City of Miami Beach shall have a goal of maintaining a reserve of one hundred percent (100%) of pending claims in the Risk Management Fund, and shall strive to fund two-thirds (2/3) of the estimated value of insurance claims incurred but not reported.*

Conclusion

The revision to the City's reserve policy addresses the City's exposure to weather events and dependence on volatile Resort Tax revenues and will help ensure continuity of operations during emergencies and maintain or improve the City's credit ratings.

The attached resolution amends and restates Resolution 2006-26341 to incorporate revisions to the General Fund Reserve policy and is consistent with the recommendations of the Finance and Citywide Project Committee and the Budget Advisory Committee.

JLM/JW/TOS



City of Palm Coast - Fund Balance Policy

Proposed Revision March 15, 2016

The General Fund unassigned fund balance, at year end, will be between ten percent and twenty percent of the following year's budgeted expenditures. Unassigned fund balance over twenty percent may be transferred to the Disaster Reserve Fund, if necessary to meet the fund balance goal, or to the Capital Projects Fund. If the unassigned fund balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenditures to return the unassigned fund balance to ten percent or greater within three years. If economic conditions cause a temporary loss of revenue, the unassigned fund balance may be used to help alleviate the affects of the loss of revenue. If the unassigned fund balance exceeds ten percent of the following year's budgeted General Fund expenditures, up to 50% of the amount over the ten percent minimum, may be used to offset the shortfall. At no time should the unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

The Utility Fund unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted operating expenses. Unrestricted net position over twenty percent may be assigned to a rate stabilization fund or transferred to the Utility Capital Projects Fund for utility system renewal and replacement. If unrestricted net position is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

The Stormwater Fund unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses excluding capital expenditures. Unrestricted net position over twenty percent may be assigned for future system capital projects. If unrestricted net position is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

The Solid Waste Fund unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted operating expenses. Unrestricted net position over twenty percent may be assigned to a rate stabilization fund. If unrestricted net position is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

The Disaster Reserve Fund unassigned fund balance, at year end, will be at least two one hundredths percent (0.02%) of the just value of all property in the City on July 1 of that year. If the Unassigned fund balance is below the minimum amount at year end, a transfer should be made from the General Fund in an amount sufficient to increase the fund balance above the minimum amount, within two years. The Disaster Reserve represents a committed fund balance within the General Fund. It can be used to address unanticipated expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man-made or caused by nature, using emergency procedures as provided for in the City's Purchasing Policy.

The Self Insured Health Fund unrestricted net position, at year end, will be a minimum of three months claims in order to be considered actuarially sound by the Florida Office of Insurance regulation. Amounts in excess of this floor can be used to hedge against future cost increases. If the unrestricted net position is below this floor, a plan must be developed using increased premiums and/or a reductions in benefits to return unrestricted net position to the minimum level within three years.

The Fleet Fund unrestricted net position, at year end, will be a minimum of the total expected Fleet replacement cost divided by the average life of the Fleet. Amounts in excess of this floor can be used to hedge against future cost increases and Fleet expansion. If the unrestricted net position is below this floor, a plan must be developed using increased internal lease charges to return unrestricted net position to the minimum level within three years.

All other funds, including Special Revenue Funds and Capital Project Funds do not have a fund balance requirement. Fund balances in these funds are dictated by revenue sources and a schedule of capital projects.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA, REPEALING RESOLUTION NOS. R-2011-238 AND R-2018-053 REGARDING THE CITY'S FUND BALANCE POLICY AND ADOPTING A NEW FUND BALANCE POLICY CONSISTENT WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54, FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS.

WHEREAS, on September 21, 2011, the City Commission adopted and approved Resolution R-2011-238, establishing a fund balance policy for the City's General Fund of a minimum unrestricted fund balance amount of 17% of General Fund operating expenditures, which is equal to approximately two months of General Fund operating expenditures, consistent with Government Standards Accounting Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and the Government Finance Officers' Association recommendation; and

WHEREAS, on February 21, 2018, the City Commission adopted and approved Resolution R-2018-053, amending the fund balance policy to recommend annual review of the policy during budget adoption and remove the second paragraph of Section 6 of Resolution R-2011-238, which required a five-year City Commission review of the policy; and

WHEREAS, it is considered prudent for a municipality to conduct an annual review of its Fund Balance Policy to ensure consistency with the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and the City desires to repeal the existing Fund Balance Policy and adopt a new Fund Balance Policy as set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA:

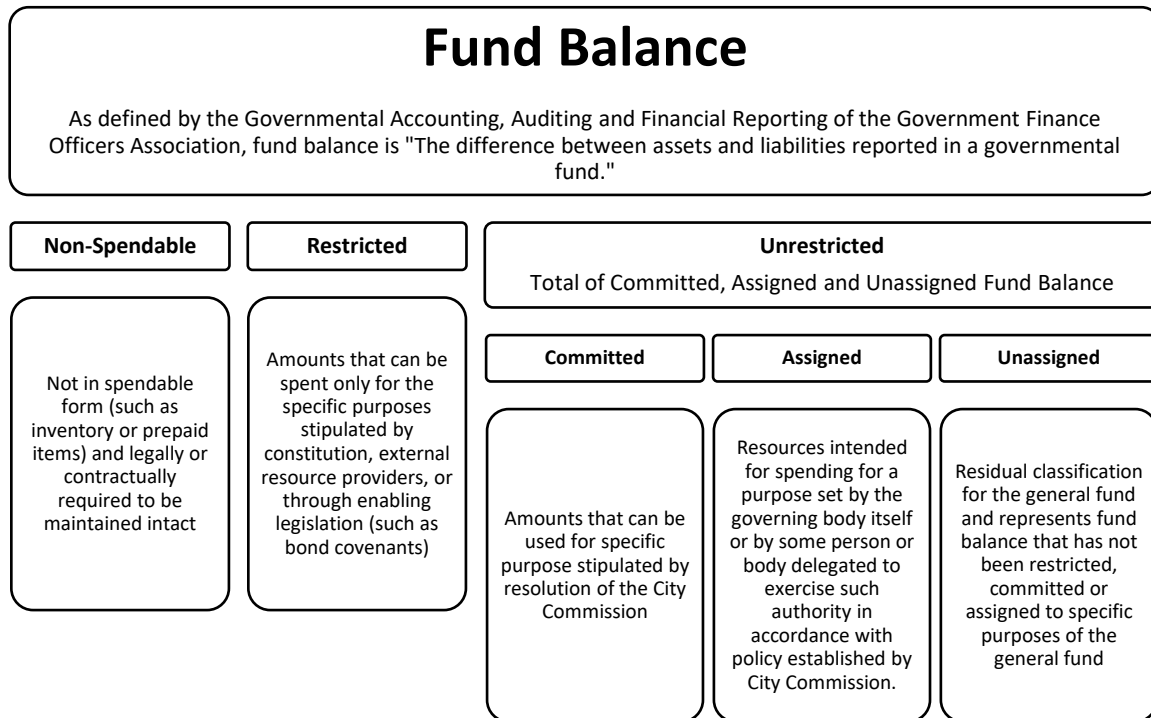
Section 1: That the foregoing "WHEREAS" clauses are ratified and confirmed as being true and correct and are incorporated in this Resolution.

Section 2: That the City desires to maintain a prudent level of financial resources to guard against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures in the General Fund. This policy serves as a framework to provide the capacity to:

- 1) Provide sufficient cash flow for daily financial needs;
- 2) Offset significant economic downturns and revenue shortfalls;

- 3) Maintain stable tax/fee rates;
- 4) Provide funds for unforeseen expenditures related to emergencies;
- 5) Provide for renewal and replacement of long-lived assets; and
- 6) Secure and maintain investment grade credit ratings.

Section 3: That this Fund Balance Policy will be consistent with Government Standards Accounting Board definitions and shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts, as reflected below:



Section 4: That this Fund Balance Policy establishes a framework for reporting, within the annual financial statements, of fund balance within the City's governmental funds.

1. Non-Spendable Fund Balance

Non-spendable fund balance is established to report items that are not expected to be converted to cash such as inventory and prepaid items, items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale, and items legally or contractually required to be maintained intact such as the corpus (or principal) of a permanent fund.

2. Restricted Fund Balance

As previously defined, restricted fund balance means amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other

governments, or (b) imposed by law through constitutional provisions or enabling legislation and will be budgeted and reported in special revenue funds, capital project funds or debt service funds.

3. Unrestricted Fund Balance

As previously defined, the unrestricted fund balance is the total of the committed fund balance, the assigned fund balance and the unassigned fund balance.

Committed Fund Balance

Commitment of fund balance may be made from time-to-time by resolution of the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally (resolution). The use (appropriation) of committed fund balances will be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of the City Commission during the fiscal year.

Assigned Fund Balance

Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself, and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

Section 5: That the minimum unassigned fund balance target for the general fund will equal 17% of General Fund operating expenditures as recommended by the Government Finance Officers Association. This target is not inclusive of any non-spendable, restricted, committed or assigned amounts.

Section 6: That the fund balance reserves should generally not be used to cover recurring expenses. In the event, after the annual audit, that the unassigned fund balance falls below 17% of General Fund operating expenditures, the City Manager will prepare and submit a plan for replenishment (i.e., committed and/or assigned fund balance

reduction, expenditure reductions and/or revenue increases) to the City Commission. The City shall take action necessary to restore the unassigned fund balance to acceptable levels within three fiscal years.

Section 7: That excess unassigned fund balance reserves can be used to cover one-time expenditures or carried forward for use in future years. In the event that the unassigned fund balance exceeds the minimum amounts as set forth above, the excess may be utilized for any lawful purpose. By resolution of the City Commission, it is recommended that priority be given for one-time costs, including but not limited to:

- a) Funding the Other Post-Employment Benefits (OPEB). Surplus funds can be used to fund the City's large OPEB liability.
- b) Establish a capital replacement program. Surplus funds may be used to supplement the City's Five Year Capital Improvement Program and establish a capital replacement program for vehicles, information technology, heavy equipment replacement, or general maintenance of capital assets.
- c) Reduce or avoid debt. If there is short-term debt within the fund, the surplus funds may be applied to reduce or eliminate debt if the advantages can be substantiated with a financial analysis. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if the advantages can be substantiated with a financial analysis.

These allocations will be set aside in the Unrestricted Assigned category of the General Fund Balance until appropriated.

Section 8: That the City Commission establishes the following fund balance reserves in the Unrestricted Committed category of the General Fund Balance:

Disaster Reserve

The disaster reserve fund balance is committed by the City Commission to equal five percent of the general fund expenditures to ensure the maintenance of services to the public during disaster situations such as but not limited to hurricanes.

Section 9: That the actual amount of unrestricted fund balance (total of *committed fund balance, assigned fund balance and unassigned fund balance*) is not known until the completion of the annual audit that takes place between three to six months after the end of the fiscal year being audited.

Section 10: That compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process. The minimum level of unassigned fund balance target for the general fund shall be determined during this process.

Section 11: That the City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Section 12: That this Resolution shall be in full force and effect immediately upon its passage and adoption.

PASSED AND ADOPTED this _____ day of _____, 2019.

JOSH LEVY, MAYOR

ATTEST:

PATRICIA A. CERNY, MMC, CITY CLERK

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY for the use and reliance
of the City of Hollywood, Florida, only.

DOUGLAS R. GONZALES, CITY ATTORNEY