

#### **RESOLUTION NO. 2020-R-26**

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF NORTH PORT, FLORIDA, REPEALING RESOLUTION NO. 2018-R-13; ADOPTING A FUND BALANCE POLICY; INCORPORATING RECITALS; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, it is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates; and

WHEREAS, Resolution No. 2018-R-13 approved a new fund balance policy and repealed the previously adopted fund balance and economic stability policies; and

WHEREAS, this policy restates and revises the policy adopted in Resolution No. 2018-R-13 by omitting the minimum requirements in the Budget Stabilization and Economic Uncertainty Reserves; and

WHEREAS, the City's reserve policies are based on sound fiscal principles designed to allow the City to maintain continuity of operations in adverse conditions while being mindful of our fiduciary responsibility to taxpayers, both current and future generations; and

WHEREAS, adequate fund balance levels are an essential component of the City's overall financial management strategy, an important factor in external bond rating agencies' measurement of the City's financial strength, and that these Financial Reserve Policies will need to be adjusted from time to time as conditions change; and

WHEREAS, the City lies within a coastal zone highly susceptible to hurricane and storm damage; and

WHEREAS, debt service funds will be maintained as required by bond covenants; and

WHEREAS, there exists uncertainty in the economic markets around the world, in regard to the cost of construction materials, interest rates, personnel costs, medical insurance costs, and general inflation; and

WHEREAS, each sizable fund has been analyzed to determine the type of risk it may be exposed to, the duration of the risk, methods to mitigate that risk, and the amount of funds needed to mitigate against that risk; and

WHEREAS, the City's Financial Reserves Policy acts to mitigate other forms of uncertainty such as changes in the tax and spending policies of federal and state governments; imposition of mandates by federal and state governments or the courts; financial impacts of labor agreements, particularly those stemming from collective bargaining; repairs and replacement of the City's aging infrastructure; unforeseen increases in energy costs; and

WHEREAS, the City calculates the reserve amount at the conclusion of each fiscal year; and

WHEREAS, the City Commission finds that this policy serves the public health, safety, and welfare of the citizens of the City of North Port, Florida.

# NOW THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF NORTH PORT, FLORIDA:

## SECTION 1 - INCORPORATION OF RECITALS

1.01 The above recitals are hereby ratified and confirmed as being true and correct and are incorporated herein by reference.

#### SECTION 2 - REPEAL

2.01 The City Commission hereby repeals Resolution No. 2018-R-13 in its entirety.

#### SECTION 3 - ADOPTION OF FUND BALANCE POLICY

3.01 The City Commission adopts Policy No. 2020-05, "Fund Balance Policy," attached hereto and incorporated as if set forth herein, as an administrative policy of the City Commission of the City of North Port.

## **SECTION 4 - CONFLICTS**

4.01 In the event of any conflicts between the provisions of this resolution and any other resolution, the provisions of this resolution shall prevail to the extent of such conflict.

## **SECTION 5 - SEVERABILITY**

5.01 If any section, subsection, sentence, clause, phase, or provision of this resolution is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such provision shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions hereof.

## **SECTION 6 – EFFECTIVE DATE**

6.01 This resolution shall take effect immediately after adoption by the City Commission of the City of North Port, Florida.

PASSED and DULY ADOPTED by the City Commission of the City of North Port, Florida, in public session this 17th day of September 2020.

## CITY OF NORTH PORT, FLORIDA

Debbie Mynwell

DEBBIE MCDOWELL MAYOR

**ATTEST** 

HEATHER TAYLOR, CMC

CITY CLERK

APPROVED AS TO FORM AND CORRECTNESS

AMBER L. SLAYTON



# City of North Port

City Commission Policy – Fund Balance Policy

Policy No: 2020-05

Resolution No: 2020-R-26

Approval Date: September 17, 2020

## I. FUND BALANCE CATEGORIES

Pursuant to GASB 54, fund balances will be reported in the categories set forth below.

A. <u>Purpose</u>. For increased financial stability, the City of North Port desires to manage its financial resources by establishing fund balance percentages for selected funds. This will ensure that the City maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls, natural disasters or unexpected one-time expenditures as well as to provide needed liquidity to continue operations.

## B. Definitions.

- 1. <u>Fund Balance</u>. Fund Balance is the difference between current fund assets and current fund liabilities Fund balance is reported in five categories:
  - a) Nonspendable. Assets that will not or cannot be converted to cash within the current period. The assets include advances to other funds, inventories, or other prepaid items.
  - b) <u>Restricted</u>. The portion of fund balance that is restricted by externally enforceable legal restrictions. This includes revenue that is restricted for a particular purpose. The restrictions can be imposed by creditors, grantors, contributors or taws.
  - c) <u>Committed</u>. The portion of fund balance constrained by the limitations the City Commission imposes and which remain binding until the City Commission removes them. Purchase orders or contracts that are rolled from the prior fiscal year to the new fiscal year are committed resources.
  - d) <u>Assigned</u>. The portion of fund balance that reflects the City's intended use of assets. The intended use can be established by the City Commission, delegated to a group (management team), or delegated to the City Manager or Finance Director. Projects that have been budgeted in prior fiscal years but are not complete are assigned the resources necessary to complete if not committed under contract. This amount would represent the portion of fund balance to be used in the subsequent year's budget or to accumulate resources for a future capital project.
  - e) <u>Unassigned</u>. The remaining portion of fund balance that is not classified into the other categories. Only the General Fund can have a positive balance. In other funds, balances are assigned to the fund's purpose otherwise they would be accounted for in the General Fund.

- Spending Priority. When a governmental fund has multiple classifications of fund balance, the
  expenditure is determined to reduce the restricted fund balances first, then committed fund
  balance followed by assigned.
- 3. <u>Surplus</u>. The amount by which the fund balance exceeds the upper limit of the adopted fund balance percentages.
- 4. Shortfall. The amount that the fund balance falls below the adopted percentages.
- Expenditures. All uses of financial resources, including operating and capital outflows and debt service. For consistency, expenditures do not include other sources and uses of resources in the fund unless there is a recurring transfer.
- C. <u>Surplus.</u> If there is a surplus at fiscal year end, the operating funds should be appropriated as follows:
  - 1. To cover any anticipated budgetary shortfalls in the current fiscal year or any shortfall forecasted in the following five years;
  - 2. To reduce long-term debt, if possible;
  - 3. To deposit into a fund that stabilizes pension contributions to achieve a normal growth rate;
  - 4. To fund pay-as-you-go capital projects or expenditures; and
  - 5. To fund a capital asset renewal and replacement fund.
- D. <u>Shortfall.</u> If there is a shortfall at fiscal year end, the fund balance is to be rebuilt through the following mechanisms:
  - 1. An appropriation during the next budget process to restore to the minimum requirements.
  - If this is financially infeasible, a written plan shall be forwarded by the City Manager to the Commission for approval in order to restore the fund balance to an amount within the acceptable percentages. This plan may require a reduction of services, increase in taxes or fees, or some combination thereof.

## II. GENERAL FUND

The components of the General Fund Reserves should include, but not be limited to:

## A. Emergency and Disaster Reserve.

The City should retain a reserve of twenty percent (20%) of the General Fund operating expenditures. These funds are to be used, as declared appropriate by the City Commission, to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations, including hurricanes and other weather-related events, environmental and other natural disasters, and events that cause disruptions in public services. These funds, if used, must be replenished.

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## B. Economic Stabilization Reserve.

The City should maintain up to ten percent (10%) reserve of General Fund operating expenditures to be used for short-term cash flow purposes or unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, or to maintain service levels in the event that an economic downturn should cause a shortfall in revenues. The City may exceed the ten percent (10%) threshold if authorized by a majority vote of the City Commission.

#### III. OTHER GENERAL GOVERNMENT OPERATING FUNDS

## A. Building Fund.

- Emergency and Disaster Reserve. The City should retain a reserve of twenty percent (20%) of
  the Building Fund operating expenditures. These funds are to be used, as declared
  appropriate by the City Commission, to ensure the maintenance of services to the public
  during non-routine and unforeseen disaster situations, including hurricanes and other
  weather-related events, environmental and other natural disasters, and events that cause
  disruptions in public services. These funds, if used, must be replenished.
- 2. Economic Stabilization Reserve. The City should maintain up to ten percent (10%) of Building Fund operating expenditures to be used for short-term cash flow purposes or unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, or to maintain service levels in the event that an economic downturn should cause a shortfall in revenues. The City may exceed the ten percent (10%) threshold if authorized by a majority vote of the City Commission.

## B. Fire Rescue District Fund.

- Emergency and Disaster Reserve. The City should retain a reserve of twenty percent (20%) of
  the Fire Rescue District Fund operating expenditures. These funds are to be used, as declared
  appropriate by the City Commission, to ensure the maintenance of services to the public
  during non-routine and unforeseen disaster situations, including hurricanes and other
  weather-related events, environmental and other natural disasters, and events that cause
  disruptions in public services. These funds, if used, must be replenished.
- 2. Economic Stabilization Reserve. The City should maintain up to ten percent (10%) of Fire Rescue District Fund operating expenditures to be used for short term cash flow purposes or unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, or to maintain service levels in the event that an economic downturn should cause a shortfall in revenues. The City may exceed the ten percent (10%) threshold if authorized by a majority vote of the City Commission.

## C. Road and Drainage District Fund.

Emergency and Disaster Reserve. The City should retain a reserve of twenty percent (20%) of
the Road and Drainage District Fund operating expenditures. These funds are to be used, as
declared appropriate by the City Commission, to ensure the maintenance of services to the
public during non-routine and unforeseen disaster situations, including hurricanes and other
weather-related events, environmental and other natural disasters, and events that cause
disruptions in public services. These funds, if used, must be replenished.

2. Economic Stabilization Reserve. The City should maintain up to ten percent (10%) of the Road and Drainage District Fund operating expenditures to be used for short-term cash flow purposes or unanticipated expenditures of a nonrecurring nature, to meet unexpected immediate increases in service delivery costs, or to maintain service levels in the event that an economic downturn should cause a shortfall in revenues. The City may exceed the ten percent (10%) threshold if authorized by a majority vote of the City Commission.

## D. Solid Waste District Fund.

- Emergency and Disaster Reserve. The City should retain a reserve of twenty percent (20%) of
  the Solid Waste District Fund operating expenditures. These funds are to be used, as declared
  appropriate by the City Commission, to ensure the maintenance of services to the public
  during non-routine and unforeseen disaster situations, including hurricanes and other
  weather-related events, environmental and other natural disasters, and events that cause
  disruptions in public services. These funds, if used, must be replenished.
- 2. Economic Stabilization Reserve. The City should maintain up to ten percent (10%) of the Solid Waste District Fund operating expenditures to be used for short-term cash flow purposes or unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, or to maintain service levels in the event that an economic downturn should cause a shortfall in revenues. The City may exceed the ten percent (10%) threshold if authorized by a majority vote of the City Commission.

#### IV. ADDITIONAL INFORMATION

- A. The City Manager or designee will determine all corresponding calculations and interpretation of calculations of a definitive nature.
- B. The Fund Balances will be Classifications of Balance or Net Position on the balance sheet of each fund in the City's official financial records.
- C. The Finance Department will calculate the reserve amount at the end of each fiscal year. The Finance Department will examine the recovery of each Contingency/Emergency/Disaster Relief Reserve after drawdown on an annual basis to determine the need for increases in fees/taxes or expenditure reductions to ensure the funds are replenished within a two-year period. All other reserves will be replenished to within the Budget Stabilization minimum percent in the ensuing year.
- D. The Finance Department will review this Fund Balance Policy as necessary for the possibility of presenting proposed amendments to the City Commission.

**Fund Balance Policy**