

**RESOLUTION NO. 23-
RESOLUTION ESTABLISHING THE PINELLAS COUNTY
GENERAL FUND RESERVE POLICY**

WHEREAS, the Board desires to make clear certain policy guidelines and directives relating to the Pinellas County General Fund Reserves based upon prudent fiscal management and reflect best practices as adopted by the Government Finance Officers Association (GFOA); and

WHEREAS, the Board by this resolution intends to establish a target minimum level of designated reserves in the General Fund to:

- Manage the risk of financial impacts resulting from natural disasters or other catastrophic events;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy;
- Demonstrate continued prudent fiscal management and creditworthiness; and
- Provide funding stability for core services and infrastructure funded through the General Fund.; and

WHEREAS, state law limits the maximum allowable percentage for some portions of reserves; and

WHEREAS, the Government Finance Officers of America (GFOA) best practice for reserves recommends the policy take into consideration the many variables of local governments, but at a minimum should meet the average cash flow needs of the entity - typically no less than 60 days, two months, or 16.7% of the recurring revenues of the General Fund; and

WHEREAS, given Pinellas County's dependence on a tourism economy, its vulnerability to natural disasters, and the exposure to potential upfront outlays to initiate recovery efforts, the considerations recommended by GFOA suggest an amount of unrestricted reserves to the equivalent of two and one-half months, or 20.8%, of the recurring revenues of the General Fund.

NOW THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Pinellas County, Florida, in a public meeting duly assembled this 7th day of September 2023, that the attached Pinellas County General Funds Reserve Policy be adopted.

Commissioner _____ offered the foregoing Resolution and moved its adoption, which was seconded by Commissioner _____, and upon roll call the vote was:

AYES:

NAYS:

ABSENT AND NOT VOTING:

Pinellas County General Fund Reserve Policy

Policy Statement and Purpose:

It is the policy of Pinellas County (County) to establish sound financial policies that are guidelines for prudent decision-making related to financial matters. The purpose of this policy is to establish a target minimum level of designated reserves in the General Fund to:

- Manage the risk of financial impacts resulting from natural disasters or other catastrophic events;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy;
- Demonstrate continued prudent fiscal management and creditworthiness; and
- Provide funding stability for core services and infrastructure funded through the General Fund.

Background

In accord with Florida State Statute 129, Pinellas County General Fund reserves are classified into three categories:

- Reserve for Contingencies
- Reserve for Cash Balance
- Reserve for Future Years

Reserve for Contingencies may not exceed 10.0% of the total appropriations. (F.S.129.01(c)) These funds may be used to increase the appropriation for any particular expense within the General Fund or to create an appropriation within the General Fund for any lawful purpose, but expenditures may not be charged directly to the reserve for contingencies (F.S.129.06(2)(b)).

Reserve for Cash Balance to be carried over from the previous fiscal year may be provided to pay expenses from October 1 of the next fiscal year until revenues for that year are expected to be available. This reserve may not be more than 20.0% of the total appropriations (F.S.129.01(02)(c)).

Reserve for Future Years may consist of any amount as determined by the Board of County Commissioners (Board) through the annual budget process. These funds may be appropriated by budget amendment resolution of the board for the purposes for which the reserve was made (F.S.129.06(2)(c)).

Pinellas County General Fund Reserve Policy

Guiding Principles:

Following sound financial practices and adhering to the Government Finance Officers' of American (GFOA) recommendations, the County's designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Cyclical nature of revenue
- Changes in community priorities
- Frequency of budget surpluses/deficits
- Stability of revenues and predictability of expenses
- Cash flow management practices

The GFOA best practice for reserves recommends the policy take into consideration the many variables of local governments, but at a minimum should meet the average cash flow needs of the entity. This is typically no less than 60 days, two months, or 16.7% of the recurring revenues of the General Fund. However, the adequacy of unrestricted reserves should consider each government's unique circumstances. Pinellas County's dependence on a tourism economy, its vulnerability to natural disasters, and the exposure to potential upfront outlays to initiate recovery efforts suggests a higher level of unrestricted reserves of 76 days, two and a half months, or 20.8% of the recurring revenues of the General Fund.

Policy

In keeping with the Board's Strategic Plan, the General Fund Reserves Policy will allow the County to achieve the following goals:

Ensure Public Health, Safety, and Welfare

2.1 Provide planning, coordination, prevention, and protective services to create and enhance a safe, secure, and healthy community.

Deliver First-Class Service to the Public and Our Customers

5.2 Be responsible stewards of the public's resources.

5.3 Ensure effective and efficient delivery of county services and support.

5.4 Strive to serve the needs of all Pinellas County residents and customers.

The County will appropriate funds within the three designated reserves within the General

Pinellas County General Fund Reserve Policy

Fund to address unforeseen emergencies or disasters, significant changes in the economic environment, and key operating, infrastructure, and capital project needs in future fiscal years. These include the Reserve for Contingencies - Countywide, Reserve for Cash Balance - Countywide, and Reserve for Future Years accounts.

Reserve for Contingencies - Countywide. Funds reserved under this category may be used for any particular expense, as approved by the Board, using the budget amendment process as established by the Board to increase or create appropriations within the General Fund. Expenditures may not be charged directly to the Reserve for Contingencies – Countywide account. This account may not contain more than 10.0% of the total appropriations within the General Fund.

Reserve for Cash Balance – Countywide. Funds reserved under this category are excess resources carried over from the previous fiscal year to pay expenses from October 1 until current year revenues are received and available and may be appropriated for any particular expense as approved by resolution of the Board to increase or create appropriations within the General Fund. Expenditures may not be charged directly to the Reserves for Cash Balance – Countywide account. This account may not contain more than 20.0% of the total appropriations within the General Fund.

Reserve for Future Years. Funds reserved under this category are designated for specific purposes and may be appropriated by budget amendment resolution of the Board for the purpose for which the reserve was made. This account may contain any amount of appropriation as adopted by the Board.

The Policy of the Board is to maintain a minimum of two and one-half months (20.8% of current year revenue) of reserves in the Reserve for Contingencies – Countywide and Reserve for Cash Balance – Countywide accounts within the General Fund. In addition, the Board may appropriate funds to the Reserve for Future Years for known future fiscal year expenditures above the 20.8% set in the Policy.

Replenishment of Minimum Reserve Funds

In keeping with the principles discussed in the Policy, when the combined balances of the Reserve for Contingencies – Countywide and Reserve for Cash Balance – Countywide accounts fall below the 20.8% minimum stated in the Policy, the County Administrator will develop a one (1) to five (5) year reserve replenishment plan to meet the minimum threshold of the General Fund Reserves Policy and present it to the Board for approval.