BUDGET POLICIES

The following policy guidelines are based upon prudent fiscal management and reflect best practices as adopted by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting Practice:

General Fund Reserve (Ending Balance)

The Governmental Accounting Standards Board (GASB) has defined the following categories for fund balances:

- **Non-spendable Fund Balance** – amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by external providers (such as grantors, bondholders, and higher levels of government).
- **Unrestricted Fund Balance –** amounts that are not Non-spendable or Restricted are divided into three categories**:** Committed, Assigned, and Unassigned.

The General Fund Reserve (Ending Balance) should be budgeted at a level of no less than 15.0% of total revenues.

General Fund Reserves (Committed and Assigned Fund Balance)

- **Committed Fund Balance** – amounts constrained to specific purposes by the Board of County Commissioners (BCC). To be reported as committed, amounts cannot be used for any other purpose unless the BCC approves a change by Board Budget Amendment.
- **Assigned Fund Balance** – amounts the County intends to use for a specific purpose. Intent can be expressed by the BCC or recommended by the County Administrator. There are two essential differences between Committed Fund Balance and Assigned Fund Balance. First, committed fund balance requires action by the BCC, whereas assigned fund balance allows that authority to be delegated to the County Administrator. Second, formal action by the BCC is necessary to impose, remove, or modify a constraint reflected in Committed Fund Balance, whereas less formality is necessary in the case of assigned fund balance.
  - The Reserve for Contingencies (Unrestricted – Committed Fund Balance) shall be budgeted at a minimum of 5.0% operating expenditures. The total amount shall not exceed the statutory maximum of 10.0% of total appropriations.
  - The Reserve - Fund Balance (Unrestricted – Assigned Fund Balance) shall be budgeted in the following categories
    - Cash Flow Reserve – a minimum of one-twelfth of budgeted revenue
    - Encumbered Contracts Reserve – the average month-end value of outstanding encumbrances over a preceding twelve-month period
    - Disaster Response Reserve
    - The total amount budgeted shall not exceed the statutory maximum of 20.0% of total appropriations

- For annual financial reporting purposes, specific amounts for each category in the Reserve - Fund Balance is determined by the County Administrator based on fiscal year end data.

Use of Reserves:

- The Reserve for Contingencies (Unrestricted – Committed Fund Balance) may be used for unanticipated expenditures or to address revenue shortfalls.
- The Reserve - Fund Balance (Unrestricted – Assigned Fund Balance) may be used as follows:
  - Cash Flow Reserve and Encumbered Contracts Reserve – for any authorized expenditure.
  - Disaster Response Reserve – for any expenditures incurred as the result of an emergency event.
  - The Cash Flow Reserve and Encumbered Contracts Reserve may be used to supplement the Disaster Response Reserve.

Restoration of General Fund Reserves:

- If General Fund Reserves are depleted below the levels established by policy, the County Administrator will develop a plan to restore the balances over time, which requires BCC approval.
- The restoration plan should include such recommendations for rate or fee adjustments and/or expenditure reductions as may be appropriate.
- The plan for restoration should be reviewed and updated on an annual basis until the policy level guidelines are achieved.

General Fund – Unrestricted Unassigned Fund Balance

Unassigned Fund Balance – The General Fund, as the principal operating fund of the government, often will have net resources in excess of the categories already described. One reason for this is the Florida Statutes requirement that most revenues are budgeted at 95.0% of the total estimated amount. If there are additional net resources, the surplus is presented as unassigned fund balance. Other funds, by their nature, are established to account for revenues that are expended for specific purposes and therefore do not have unassigned fund balances.

- General Fund Balance in excess of that which is Non-spendable, Restricted, Committed and Assigned at the end of the fiscal year shall be designated as Unassigned.
- Unassigned Fund Balance should be used for non-recurring purposes whenever possible.
- Preference should be given to expenditures that will result in future efficiencies or other cost savings.
- In the event of severe financial stress resulting from unanticipated revenue decreases or expenditure increases, Unassigned Fund Balance may be used to mitigate the negative impact on public services on a short term basis.

Other Operating Funds Reserves

- At a minimum, the Reserves (Unrestricted Balance) of Enterprise Funds should be budgeted at a level of 5.0% to 15.0% of regular operating revenues, or no less than one to two months of operating expenditures.
- Similar Reserve (Unrestricted Balance) amounts should be budgeted in other funds (i.e. one to two months of operating expenditures or an adequate working capital reserve) on a case-by-case basis.
- Fund reserve policy should be linked to a potential increase or decrease of rates/fees if reserve levels reach certain thresholds.

Balanced Budget

- Recurring expenditures should be equal to or less than recurring revenues.
- Annual operating expenditures should be fiscally balanced with revenues or income estimates that can reasonably and normally be projected to be received during the fiscal year.
- Disclosures should be provided when deviation from a balanced operating budget is planned or when it occurs.
- Anticipate actions to be made to bring the budget into balance if adjustments are needed in the course of a fiscal period.
- Develop a structurally balanced operating budget that requires a balance be maintained between recurring expenditures and revenues over the long term, not just during the current operating period.
- The first year of the Capital Improvement Program (CIP) Six-Year Plan is the basis for actual appropriations and must be balanced when adopting the annual budget.

Long-range Planning

- Develop a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions and develop appropriate strategies to achieve its goals.
- The forecast should extend at least six years and should be regularly monitored and periodically updated.
- The forecast should include fund forecasts for all significant ~~governmental~~ funds.
- The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process.
- Variances between previous forecast and actual amounts should be analyzed and identification made of the factors that influence revenue collections, expenditure levels, and forecast assumptions.

Physical Asset Inventory

- Accurate inventories of all physical assets, their condition, life spans and cost should be created and maintained to ensure proper stewardship of public property.
- Maintain assets at an acceptable level to protect the County's capital investment and to minimize future maintenance and replacement costs.

Asset Preservation

- Ensure asset preservation encompasses supportive infrastructure (processes and databases), intellectual capacity and effective use of human capital, as well as physical capital assets.
- Prioritize the inclusion of physical and non-physical asset maintenance in the budget process.

Revenue Diversification

- Encourage revenue diversification to the extent feasible; enhance flexibility within the constraints of available revenue sources (e.g. property tax--diversify the tax base on which the tax is levied).
- Whenever possible, pay general operating expenses from sources other than ad valorem taxes.
- Increase the level of self-support for new program initiatives and enhancements.
- The use of concession and licensing agreements (i.e. vendors operating in County parks) should be encouraged so long as these measures are consistent with the public good.

Fees and Charges

- Where appropriate, fees should be set to recover the direct and indirect costs associated with the service provided.
- County services that provide private benefit should be supported by fees and charges in order to provide maximum flexibility in the use of general revenues to meet the cost of services of broader public benefit.
- State whether the intention is to recover full or partial costs of providing goods and services.
- If the cost of a good or service is not recovered, then an explanation of the rationale should be provided.
- Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- Seek to implement small, incremental increases to fees and charges annually as opposed to less larger increases on periodic basis when justified based on increases in cost of service and other factors.
- Information on charges and fees should be available to the public.
- Enterprise Operating Funds should contribute to the General Fund their proportionate share of the cost of general administrative departments and a payment-in-lieu-of-taxes and other accepted reimbursement approaches as limited by outstanding Bonds or Bond resolutions.
- A review of cost of service and rate structures for Enterprise operations should be performed on an annual basis.

Use of Grants

- To the degree that grant funds are relied upon to support recurring expenses, a provision should be made to allow expenditure reductions should the grant funding be reduced or eliminated.
- Revenues and expenditures associated with grants should only be budgeted after grant awards or letters of commitment have been received.
- Overhead or indirect costs should be included in all grant proposals where permitted.
- Local discretionary funds should not be relied upon to automatically replace lost grant funds.
- For grants with a required match, evaluate how costs exceeding the total cost estimated in the grant will be funded prior to ~~accepting~~ applying for a grant~~n award~~.

Debt Capacity, Issuance, and Management

- Minimize debt service costs through the judicious use of available debt instruments, consistent with the desirability of maintaining stable current tax rates and distributing the costs of certain long-lived facilities among all users, present and future.
- Define appropriate uses for debt.
- Define the maximum amount of debt and debt service that should be outstanding at any one time (target financial ratios).
- Maintain a high credit rating while making attempts to strengthen credit rating; identify factors and strategies to address them.

Strategic and Work Planning and Performance Management

- Establish work plans to document and track initiatives and projects that are aligned with strategic objectives.
- Where possible and appropriate, define the resources dedicated to each work plan item and the performance measures the activity seeks to impact.
- Institute meaningful measures of performance efficiency, effectiveness, and outcomes and analyze results.
- Define levels of service and review annually in light of identified priorities and any changed conditions that may afford an opportunity to modify frequency of service and reduce costs.
- Link work plans, performance metrics, and levels of services with the most relevant goal of the County Strategic Plan to organize and structure items.

Operating/Capital Expenditure Budget Formulation and Accountability

- Consider whether programs and services and associated levels of service are mandated or discretionary when evaluating prioritization of limited resources.
- Seek expenditure reductions whenever possible through efficiencies, reorganization of services, and through the reduction or elimination of programs, policies, and practices which have outlived their usefulness.
- Encourage productivity improvements through training, technology, and incentives.
- Leverage efficiency savings to enable inflationary increases in expenditures without requiring increases in taxes, rates, fees, and other supporting revenues.
- Seek inter-department and inter-agency opportunities to improve efficiency and

productivity through sharing resources and other strategies.

- Analyze multi-year expenditure and revenue trends and compare to current-year estimates and new year budget requests.
- Analyze appropriation lapses from prior years and justify continuing appropriations where lapses have been historically experienced.
- Consider outsourced services as a way to manage workload needs that vary over time as a way to minimize long term cost or provide maximum flexibility to accomplish tasks. Create appropriate proficiency measures to be accountable to justifying workloads needs.
- Permanent County positions should support performance of recurring activities while temporary positions and contract labor should support activities that are not recurring and/or subject to variations in workload.
- Consider investment in equipment, land or facilities, and other expenditure actions, in the present, to reduce or avoid costs in the future.
- Capital project proposals should include cost estimates that are as complete, reliable, and attainable as possible.
- Prior to undertaking a capital project, all ongoing operation and maintenance costs should be identified and considered as part of the policy discussion.
- For agreements with partners (e.g. – joint participation agreement), evaluate how costs exceeding the total cost estimated in the agreement will be funded prior to execution of the agreement.
- Capital Improvement Program (CIP) projects will be submitted, reviewed, and managed through the CIP Project Portfolio Management (PPM) processes.

~~Operating/Capital Expenditure Accountability~~

- ~~Institute meaningful performance measures linked to strategic objectives and analyze results.~~
- ~~Conduct reviews of prior year expenditure and revenue estimates to actuals and analyze variances.~~
- ~~Seek inter-agency opportunities to improve efficiency and productivity.~~

Internal Service Funds

- Internal Service Funds may be used for allocating the costs of central service functions and for risk financing.
- Cost allocations of central service functions are charged ratably to other funds, departments, and agencies of the primary government. The goals are to measure the full cost of providing the central service and to fully recover that cost through fees and charges.
- Risk financing internal service funds are used to account for all risks of a given type in individual funds of each type. Interfund premiums are charged to other funds to cover both current costs and provide a reserve for anticipated future losses.
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