RESOLUTION NO. 2012-168

A RESOLUTION BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, APPROVING REVISIONS TO SECTION 200.5.5 OF THE COUNTY FINANCIAL POLICY WHICH IS A PART OF THE COUNTY ADMINISTRATIVE CODE.

RECITALS

WHEREAS, the St. Johns County Administrative Code (Code) was approved and adopted in March 1993; and

WHEREAS, the Code has been amended by the Board of County Commissioners, on occasion, when revisions were warranted by changes in law, or circumstances; and

WHEREAS, in light of further changes in law and circumstances, it has become necessary to update and amend the County Financial Policy, Section 200.5.5 Reserve or Stabilization Account; and

WHEREAS, the Amendment is based on recent financial management guidelines set forth by the Government Finance Officers Association as best financial management practices; and

WHEREAS, the Board of County Commissioners of St. Johns County, Florida (Board) strives to maintain best financial management practices; and

WHEREAS, the Board has reviewed the Amendment to the County Financial Policy of the Code; and

WHEREAS, the Board has determined that the Amendment to the County Financial Policy of the Code is in the long-term interests of the County.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of St. Johns County, Florida as follows:

1. The above Recitals are incorporated by reference into the body of this Resolution, and such Recitals are adopted as Findings of Fact.
2. The St. Johns County Board of County Commissioners hereby approves and adopts the attached, and incorporated, St. Johns County Administrative Code Amendment to the County Financial Policy.
3. To the extent that there are typographical or administrative errors that do not change the tone, tenor, or concept of this Resolution, then this Resolution may be revised without subsequent approval of the Board of County Commissioners.
4. This Resolution shall be effective upon adoption by the Board of County Commissioners.

PASSED AND ADOPTED by the Board of County Commissioners of St. Johns County, Florida this 19 day of June, 2012.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

BY: [signature]
Chair

ATTEST: CHERYL STRICKLAND, CLERK

BY: Pam Halterman
Deputy Clerk

RENDITION DATE 6/25/12

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** November 2005 **Revised:** ~~January 2006~~June 2012
Title: County Financial Policy	**Reference:** F.S. 129 & F.S. 200

200.1 Purpose

A financial policy is a set of guidelines for the management of funds or financial resources. Such a policy provides for the effective planning of government expenditures, revenues, and the financing of public services. It provides the framework within which financial or budget, tax, and fee decisions should be made. It helps ensure that the County is financially able to meet its short-term and long-term service objectives. It also helps prevent financial problems or emergencies from unnecessarily impacting or controlling important policy decisions.

200.2 Scope

In accordance with Chapters 129 and 200 of Florida Statutes, St. Johns County prepares its annual budget to provide the authority to levy and authorize the expenditure of ad-valorem (property) taxes, user fees, permit fees, and other general revenue established by the Board of County Commissioners. The budget will be prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards (GAS), and the Government Finance Officers Association (GFOA) standards for the Distinguished Budget Presentation Award.

200.3 Financial Planning Policy

The County will balance the financial burden of programs and facilities as fairly as possible between the general taxpayer and those who benefit directly. Consideration will be made toward recognizing the common good that flows from many public expenditures, the inability of some citizens to pay the full costs of certain benefits, and the difficulty of measuring the relationship between public costs and public or private benefits of some services.

200.3.1 Balanced Budget

The budget will be balanced upon adoption by the Board of County Commissioners. Total revenues, including inter-fund transfers and fund balances brought forward, will equal the total of fund appropriations or expenditures and reserves. Revenues will include a 5% statutory reduction in accordance with Chapter 129.01(2)(b) of Florida Statutes (excluding transfers, fund balances brought forward, certain grants, and revenues of certain Fund types such as Enterprise or Internal Service Fund revenues).

The County's Office of Management and Budget will, at a minimum, prepare a report at mid-year comparing actual and budgeted revenue and expenditures for all operating funds and their projections through year-end. Significant budget variances and recommended actions will be reported to the County Administrator.

All year-end surpluses, to the extent available and able to be appropriated, will be retained within each specific fund for re-appropriation in the next fiscal year, after meeting identified reserve requirements for that fund.

200.3.2 Long-Range Planning

The County will, as part of the mid-year report and the annual budget process, prepare a multi-year forecast of financial operations based on the service levels contemplated in the proposed budget and any probable future service level changes. As part of the mid-year report forecast, the County will analyze and project major revenues and expenditures by fund. Significant findings and recommended actions will be reported to the County Administrator.

The County will develop a five-year plan for major capital improvement projects (CIP) and present it annually to the County Commission. The County will consider, within available funds, early investment in capital projects in order to reduce or avoid larger costs in the future. The County will identify the estimated costs and potential funding sources for each capital improvement project. The County will seek the least costly financing method for all such projects. The County will identify the operating budget impacts of all CIP projects as well as evaluate the affordability of any applicable debt. The County will coordinate the CIP with the development of the operating budget.

The County will adopt an annual operating budget that includes an annual capital budget based on the CIP.

200.3.3 Audit

The County will ensure the conduct of a timely annual audit of its financial records in accordance with State law and governmental auditing standards and will achieve an unqualified audit opinion in full compliance with Generally Accepted Accounting Principles (GAAP).

200.3.4 Asset Inventory

The County will annually identify and assess the condition of its capital assets. The assessment should include an evaluation of community needs and priorities; the impact of any deferred maintenance; changes in technology; and any other significant factors, such as legal or regulatory changes. The assessment will be the responsibility of individual County department heads for their respective area of responsibility. The need for capital asset replacement or addition will be communicated by the department head as a part of the annual CIP or budget process.

200.4 Revenue Policy

Revenue from ad valorem or property taxes will be anticipated for purposes of the operating budget preparation using 100% of the reported total taxable value of current property assessments as prepared by the Property Appraiser, with the net budgeted revenue stated at 95% (conforming to the 5% Statutory reduction requirement).

All sales tax received will be limited to the General Fund unless required for debt service. The allocation of sales tax revenue will be in accordance with provisions of Florida Statute 218.65 and the direction of the County Commission.

The use of State Revenue Sharing monies will be limited to the General Fund unless required for debt service.

The use of all gas tax revenue will be limited to the County Transportation Trust Fund unless required for debt service.

All County funds shall be safely invested to provide a sufficient level of liquidity to meet cash flow needs while providing the maximum yield possible. All idle cash will be continuously invested. The Finance department under the County Clerk of Courts will develop and administer the appropriate investment policy.

200.4.1 Revenue Diversification

The County recognizes the value of diversity in revenue sources for funding County services and will, when possible, develop alternative funding sources other than property taxes. A diversity of revenue sources can potentially improve the County's ability to withstand revenue fluctuations and more equitably distribute the cost of providing services.

The County will encourage, through matching grants or other funding assistance, the participation of private organizations providing desired public services when objectives can be more effectively met

200.4.2 Fees and Charges

The County Commission will review and adjust fees and charges for service and adopt them as part of the annual budget process. Attempts will be made by programs that charge fees for service, with some exceptions, to fully recover the costs of the operations of that program (including identified allowable indirect or overhead costs).

Impact Fees will be charged against new development at the building permit stage. Impact fees must bear a reasonable relationship to the benefits received by those who pay. The fee must not exceed the new development's proportionate share of the cost of new facilities or services required to serve that development. The County will collect impact fees under the following categories: Public Buildings, Law Enforcement Protection, Fire Protection, Emergency Medical Services, Schools, Roads, and Parks.

200.4.3 Use of One-time Revenues

The County will use one-time or non-recurring revenues only for one-time expenditures (i.e., capital projects). However, use for capital expenditures that significantly increase ongoing operating expenses without offsetting revenue will be minimized.

200.4.4 Use of Unpredictable Revenues

Certain major revenue sources can be relatively variable or unpredictable and therefore cannot be relied upon to generate level of revenue (i.e., interest income, Impact Fees, and intergovernmental revenue such as sales tax revenue and State Revenue Sharing). It will be the policy of the County to budget these revenues more conservatively with emphasis on a safe minimum level that will most likely be generated.

200.5 Expenditure Policy

200.5.1 Employee Compensation

The County will seek to provide total employee compensation (pay plus employee benefits) that is competitive within its labor market and will balance the stewardship of public funds with employee equity and the minimization of employee turnover.

200.5.2 Debt Policy

The basic purpose of a debt policy is to provide guidelines for the issuance and management of debt. Proper debt management promotes the accomplishment of service objectives, contributes to financial health and stability, and assures access to debt markets to meet both scheduled and unscheduled funding needs.

The decision to issue debt is best made on a case-by-case basis and only after careful and timely evaluation of all relevant factors. Factors to be considered when issuing debt are:

- Legal constraints on debt capacity and various financing alternatives.
- Constraints contained in currently outstanding debt documents.
- The urgency of the capital requirements to be met and the economic costs of delays.
- Willingness and financial ability of the taxpayers to pay for the capital improvements.
- Proper balance between internal and external financing.
- Current interest rates and other market considerations.
- The financial condition of the County.
- The types, availability and stability of revenues to be pledged for repayment of the debt.
- Type of debt to be issued.
- Whether or not the project to be financed creates ongoing operating expenditures that are supported through ongoing revenue.

In addition to County staff analysis, the County shall engage the services of an outside financial advisor who periodically, among other services, will evaluate the County's debt management strategies as well as the County's debt capacity using appropriate County revenue.

200.5.3 Debt Issuance and Management Guidelines

Capital improvements related to Enterprise Fund operations should be financed solely by debt to be repaid from user fees and charges and other available revenue generated from operations of the respective Enterprise fund.

The County will issue debt only for the purposes of constructing or acquiring capital improvements, for making major renovations to existing capital improvements, for acquiring environmentally sensitive lands, and for refunding outstanding debt when sufficient cost savings can be realized or it is advantageous to do so. The County may also enter into long-term leases for the acquisition of major equipment when it is cost justifiable to do so.

All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 30 years.

The County will at all times manage its debt and sustain its financial position in order to seek and maintain the highest credit rating possible.

The County will consider coordinating with other local government entities, to the fullest extent possible, so as to minimize the overlapping debt burden to citizens.

The County will ensure that an adequate system of internal control exists that provides reasonable assurance of compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt.

Revenue sources will be pledged for debt only when legally available and other sufficient revenue sources are available to fund total County operating expenditures.

The County will generally market its debt through the use of competitive bid sales. However, negotiated sales will be considered upon the advice of the County's financial advisor (unrelated to the underwriter) who advises on all aspects of the sale including appropriate financial analyses and the preparation and evaluation of Request for Proposals or similar process ("RFP"). Negotiated sales will be considered when the complexity of the issue requires specialized expertise, when a negotiated sale would result in substantial savings of time or money, when market conditions are unusually volatile, or when a negotiated sale is otherwise demonstrated to be in the best interest of the County. The goal of a negotiated bond sale will be to obtain the highest price (lowest interest rate) for the bonds. In order to promote fairness, objectivity and transparency, the underwriter(s) for negotiated sales will be selected through a RFP or similar process. The goal in the underwriter selection process will be to select the underwriter(s) with the best potential for providing such highest price by demonstrating both experience in underwriting the type of bonds proposed and effective marketing distribution capabilities for both retail and institutional investors. The RFP process can result in the selection of one or more underwriters for a single financing or in the identification of a pool of underwriters from which firms will be selected over a specific period of time for a number of different financings. The County will weigh the advantages and disadvantages of each type of arrangement with the assistance of the County's financial advisor. Upon selection of the underwriter(s) through the RFP process, the County will use the underwriter(s) selected unless extenuating circumstances justify the selection of a different underwriter for a particular financing, such as in the event a qualified underwriter brings a new, innovative or proprietary proposal to the County, a designated investment banker working with the County moves to a different underwriting firm, or to encourage the use of Disadvantaged Business Enterprises (DBE).

The County will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized. Outstanding debt will be refunded as long as the net present value savings between the refunded bonds and the refunding bonds is equal to or greater than 3% without extending the maturity of the debt being refunded, unless extenuating circumstances would justify a smaller percentage saving. The County may also refund existing debt for the purpose of revising existing bond covenants to meet particular organizational and/or strategic needs of the County when it is advantageous to do so.

Credit enhancements (insurance, letters of credit, etc.) will be used in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.

In order to maintain a stable debt service burden, the County will attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt. In those instances, the County should attempt, to the extent practicable, to stabilize debt service payments through the use of an appropriate stabilization arrangement.

While the County is generally averse to the use of derivatives, it will consider their use as a hedge against future interest rate risk when appropriate, but in no event will derivatives be used for speculative purposes. Furthermore, the County will only use derivatives when it has a complete understanding of the derivative product and the potential risks associated with it.

It is the policy of the County to provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments and to provide appropriate ongoing secondary market information, in compliance with the requirements of applicable Federal and State securities laws, rules and regulations, including Securities and Exchange Commission Rule 15c-2-12.

200.5.4 Legal Debt Limit

The State of Florida has not enacted a debt limit for Florida Counties. Therefore, no legal debt limit exists for the County. However, financial practice and limits on funding debt service costs establishes a practical debt limit for the County.

200.5.5 Reserve or Stabilization Accounts and Fund Balance Targets

A reserve for contingencies complying with Florida Statutes 129.01(2) (c) shall be maintained to protect against unforeseen cash flow shortages, emergencies and unexpected economic downturns. The Statute limits such a reserve to a maximum of 10% of total fund revenue (including Cash Carryforward).

The General Fund will strive to maintain an ideal total minimum reserve ~~of 5% of total fund revenue~~ as Unrestricted Fund Balance of no less than two months of regular General Fund operating expenditures including transfers to funds. For purposes of determining two months of regular General Fund operating expenditures, one-time General Fund expenditures or transfers to funds that would otherwise distort the two-month calculation shall be excluded.

Special Revenue Funds Transportation Trust and Fire District will strive to maintain an ideal minimum reserve of 2% of total fund revenue. All other Special Revenue, Debt Service and Capital Improvement Funds are not required to maintain minimum reserves.

Enterprise and Internal Service Funds will strive to maintain a prudent business reserve. Accordingly, all Enterprise Funds will strive to maintain a minimum working capital level equal to 90 days of operating expenses including depreciation. All Internal Service Funds will strive to maintain a minimum working capital level equal to 45 days of operating expenses. For purposes of determining the minimum specified days of Fund operating expenditures, one-time expenditures or transfers to funds that would otherwise distort the calculation shall be excluded.

~~All other Special Revenue, Debt Service and Capital Improvement Funds are not required to maintain reserves.~~For any County fund that does not meet the minimum stipulations of this policy section, such minimum is to be reached as soon as economic conditions allow, but in no case beyond a five-year time frame. Ideally, progress toward meeting the minimum will show improvement of at least 10% of the target each year toward meeting the minimum. A strategic financial plan for decreasing or minimizing total fund operating expenditures will be required from the outset of failure to meet minimum stipulations of this policy section.

200.5.6 Basis of Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. Governmental Funds fall into four major types: General Fund, Special Revenue Funds, Debt Service Funds, and Capital Improvement Funds. All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available as net current assets. Expenses are recognized when the related liability is incurred. Two other Fund types are Enterprise Funds and Internal Service Funds. These two Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

200.5.7 Basis of Budgeting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds. Actual spending cannot legally exceed the budgeted amount. All annual appropriations lapse at fiscal year end. Outstanding encumbrances are viewed as reservations of fund balances and do not constitute expenditures or liabilities.

The Comprehensive Annual Financial Report (CAFR) shows the status of the County's finances on the basis of GAAP. The CAFR shows fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. In all but two cases, the way the County prepares its budget conforms to GAAP. First, capital outlay purchases are shown in the budget's Enterprise funds as expenditures, but the full purchase price of the capital outlay are reflected as uses of working capital in the statement of cash flows for the CAFR and not as expenditures. Second, principal payments of debt are shown in the budget's Enterprise funds as expenditures, but payments are shown as uses of cash on the statement of cash flows for the CAFR and not as expenditures.

200.5.8 Expenditure Accountability

All expenditures will be maintained by a detailed line item based upon a chart of accounts that provides for uniformity of reporting and is consistent with the Uniform Chart of Accounts established by the State of Florida and generally accepted accounting principles (GAAP).

The operating budget will be appropriated at the major account levels of personal services (i.e., salaries and benefits), operating expense, capital outlay, grants-in-aid, debt service, and non-operating expense (i.e., transfers to funds, reserves).

Budgets for salaries and benefits will be based on 100% of the estimated salaries at the beginning of the fiscal year plus the scheduled pay plan increase for each position and the scheduled annual cost of living adjustment (if any).

The operating budget will clearly reflect both direct and indirect costs of programs wherever practical. Indirect costs will be recovered at rates determined in conjunction with independent studies, pursuant to federal government standards and practices.

The County will, within available funds, plan and budget for those facilities and infrastructure necessary to support public programs determined to be necessary for the quality of life desired by its citizens.

The County will purchase goods and services through a competitive bid process except when an alternative method of procurement is specifically authorized by law and is in the County's best interest. Further County policy is established under "St. Johns County Purchasing Policy and Procedures."

In order to align costs with designated resources for specific programs or services, the County will, whenever possible, charge expenses against a restricted revenue source prior to using general funds.

The County will seek expenditure reductions whenever possible through efficiencies, technology, productivity improvements, reorganization, outsourcing, or privatization of services, and through the reduction or elimination of programs, policies, and practices which have significantly declined in their usefulness.

Under certain circumstances, the County may pre-pay certain expenditures, if necessary, such as in the case of beach re-nourishment projects, where a separate funded escrow account is necessary before the project can be initiated. The Finance Department will be the final determinant of the necessitating circumstances, subject to Board approval where necessary.

All budget requests for new programs, travel, contractual services, additional personnel, new vehicles, capital outlay and computer hardware and software will be closely reviewed with justification required. There will be a County Fleet Replacement Policy addressing the issues of fleet management, acquisition and replacement including the optimum replacement point.

The budget will emphasize the link between fiscal and management (operations) planning. The budget will include the following items for each County program: a) description of the program's responsibilities, activities, trends, etc.; b) historical summary of the program costs; c) summary of the previous year's accomplishments; and d) key objectives and quantifiable performance measurements or indicators.

It will be the intent of all Internal Service Funds to break even. However, in the event that a loss should occur, that loss may be disposed of by crediting or charging the billed departments in accordance with their usage. Any profit may be used to lower internal service charges in the ensuing fiscal year.

Annually, efforts will be made to qualify the Annual Financial Plan for the Government Finance Officers Association's "Award for Distinguished Budget Presentation".

Continual efforts will be made to encourage and expand citizen participation in the budget process or otherwise improve communication to citizens.

200.6 Budget Control Procedures

The Annual Operating Budget serves as the legal authorization for expenditures and the proposed means of financing them. The legal level of budgetary control is the departmental level. For management control purposes, the Operating Budget is integrated into the County's Accounting System and appropriations are controlled at the line-item level within each department. County department heads are responsible for the daily management of their budget and will submit requests for any required budget adjustments to the Office of Management and Budget before any cost overruns at the line-item level occur in their annual budget.

200.6.1 Amending the Budget

Section 129.06 of Florida Statutes provides that the Board of County Commissioners may establish procedures by which the designated Budget Officer may authorize certain intra-department budget amendments or transfers provided the total appropriation of the department is not changed. Accordingly, the County Budget Officer (the Director of Management & Budget) has been given the authority to approve all internal or intra-department transfers (i.e., from one line item to another line item) as long as the transfer does not change the total approved budget amount for that department. In the event that the Budget Officer does not approve a transfer, the department head may appeal the proposed action to the County Administrator.

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund may correspondingly be increased by motion recorded in the minutes, provided that the total of the fund appropriations is not changed.

Appropriations from the reserve for contingencies may increase the appropriation for any particular expense in the same fund, or create an appropriation in that fund for any lawful purpose, but in no case can expenditures be charged directly to the reserve.

A receipt of funds not anticipated in the budget and received for a particular purpose, including grants, donations, gifts, or reimbursement for damages, by Resolution of the Board, may be appropriated and expended for that purpose. Such receipts and appropriations must be added to the budget within the proper fund.

If an amendment to a budget is required for a purpose not specifically authorized in paragraphs above, unless otherwise prohibited by law, the amendment may be authorized by Resolution or Ordinance of the Board of County Commissioners adopted following a public hearing. The public hearing must be advertised at least two days, but not more than five days, before the date of the hearing. The advertisement must appear in a newspaper of paid general circulation and must identify the name of the taxing authority, the date, place and time of the hearing, and the purpose of the hearing. The advertisement must also identify each budgetary fund to be amended, the source of the funds, the use of the funds, and the total amount of each budget.

The Office of Management and Budget will review all requests for appropriation changes and ensure that all necessary documents have been adequately prepared including those necessary for submission to the Board of County Commissioners.

200.7 Policy Administration

The County Administrator together with the County Budget Officer (the Director of Management & Budget) and/or the Clerk of Courts will provide appropriate recommendations to update this policy as the need arises. Guidelines within the Financial Policy will be implemented through the annual operating and capital budget process. The Financial Policy will undergo annual review and modifications as deemed necessary.