

RESOLUTION NO. 2018- 130

RESOLUTION OF THE BOARD OF COUNTY  
COMMISSIONERS OF SARASOTA COUNTY, FLORIDA

RE: THE SARASOTA COUNTY FINANCIAL RESERVES POLICY

WHEREAS, on June 7, 2006, in recognition that 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, the Board of County Commissioners (the "Board") adopted Resolution No. 2006-130, the Sarasota County Financial Reserves Policy; and

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

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

WHEREAS, various bond rating agencies, particularly Fitch Ratings, recognizes that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a target level of reserves, or a reserve floor; specifying the appropriate circumstances for drawing down reserves; and directing the replenishment of reserves; and

WHEREAS, Sarasota County 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 regards 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, recovery of the Contingency/Emergency/Disaster Relief Reserve after drawdown will be examined on an annual basis to determine the need for increases in fees / taxes or expenditure reductions to ensure the funds are replenished within a 5 year time period, all other reserves will be replenished within 7 years; and

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SARASOTA COUNTY, FL

**WHEREAS**, the County'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 County's aging infrastructure; unforeseen increases in energy costs; and

**WHEREAS**, the County will calculate the reserve amount at the conclusion of each fiscal year; and, when appropriate, strive to calculate the reserve amount to meet the high end of any set range; and

**WHEREAS**, on July 12, 2011, the Board adopted Resolution No. 2011-119, amending the Financial Reserves Policy in order to comply with the Governmental Accounting Standards issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, clarifying fund balance classifications on financial statements and repealing Resolution No. 2006-130; and

**WHEREAS**, on August 27, 2013, the Board adopted Resolution No. 2013-125, amending the Financial Reserves Policy in an effort to have maximum use of County revenues while adhering to reserve policy guidelines of the Government Finance Officers Association to have a minimum 60-day Emergency Reserve, reducing the Contingency/Emergency/Disaster Relief Reserve from ninety (90) days to seventy-five (75) days and repealing Resolution No. 2011-119; and

**WHEREAS**, on June 10, 2014, the Board adopted Resolution No. 2014-087, amending the Financial Reserves Policy to update the reserve requirement of the Medical Benefits Fund to be consistent with the current requirement of the Office of Insurance Regulation for government entities with a self-funded health plan to maintain surplus of at least 60 days and repealing Resolution No. 2013-125; and

**WHEREAS**, on September 26, 2017, the Board adopted Resolution 2017-158, amending the Financial Reserves Policy to create a reserve to allow for the carry forward of up to 30% of E911 fees, to add a reserve of \$500,000 for demolition of unsafe or unfit structures, to increase both the Contingency/Emergency/Disaster Relief Reserve and the Budget Stabilization and Economic Uncertainty Reserve from 30-60 days to 60-90 days in the Development Services Fund and repealing Resolution No. 2014-087; and

**WHEREAS**, in order to maintain consistency with industry best practices, the Board desires to revise the acceptable actuarial confidence levels in the Risk Management Fund and Workers' Compensation Fund.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SARASOTA COUNTY, FLORIDA, AS FOLLOWS:**

**SECTION 1. Fund Balance Categories**

Pursuant to GASB 54, fund balances will be reported in the categories set forth on Exhibit A,

attached hereto and incorporated herein.

## **SECTION 2. General Fund**

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

### **Contingency/Emergency/Disaster Relief Reserve**

The County should maintain at a minimum, a reserve of seventy-five days of General Fund operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board of County Commissioners of Sarasota County, Florida (the "Board").

### **Budget Stabilization and Economic Uncertainty Reserve**

The County should maintain a reserve of thirty to sixty days of General Fund operating expenditures to be used for short term cash flow purposes, 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.

## **SECTION 3. Compensated Absences**

The liability for Compensated Absences will be fully funded on a current basis in all funds unless deemed impractical or unavailable for accounting reasons by the County Administrator or designee.

## **SECTION 4. Other General Government Operating Funds**

### **Development Services**

#### **Contingency/Emergency/Disaster Relief Reserve**

The Development Services Fund should maintain a reserve of sixty to ninety days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board.

In addition, the Development Services Fund should maintain a reserve of five hundred thousand dollars for out-of-pocket costs for demolition of privately owned unfit/unsafe structures that are damaged and abandoned by the property owners.

#### **Budget Stabilization and Economic Uncertainty Reserve**

In addition the Development Services Fund should maintain a reserve of sixty to ninety days of operating expenditures to be used for short term cash flow purposes, 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.

### **Emergency Services**

#### **Contingency/Emergency/Disaster Relief Reserve**

The Emergency Services Funds should maintain a reserve of thirty to sixty days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board.

#### **Budget Stabilization and Economic Uncertainty Reserve**

In addition the Emergency Services Funds should maintain a reserve of thirty to sixty days of operating expenditures to be used for short term cash flow purposes, 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.

#### **911 Communications Fee Reserve**

The 911 Communications Fee Fund should reserve excess E911 fee revenues as carryforward funding. Annual contributions to the reserve may not exceed 30% of the fee revenue retained during a fiscal year, however, funds disbursed under Florida Statute 365.172(6)(a)3 are not subject to the 30 percent limitation and may be carried forward. There is no minimum funding requirement. The reserve is to be used for E911 capital outlay, capital improvements, or equipment replacement provisions.

## **SECTION 5. Enterprise Funds**

### **Utility System**

#### **Contingency/Emergency/Disaster Relief Reserve**

The Utility System should maintain a reserve of sixty to ninety days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board.

### **Solid Waste**

#### **Contingency/Emergency/Disaster Relief Reserve**

The Solid Waste System should maintain a reserve of sixty to ninety days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board.

In addition, the Solid Waste System should maintain a reserve of twenty to forty million dollars for the estimated out-of-pocket cost for right of way debris removal in the case of a major disaster.

### **Stormwater**

#### **Contingency/Emergency/Disaster Relief Reserve**

The Stormwater System should maintain a reserve of sixty to ninety days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events, as well as other environmental or other natural disasters that cause disruptions in public services as declared appropriate by the Board.

## **SECTION 6. Internal Service Funds**

### **Fleet Services**

Fleet Services should maintain a Fixed Asset Replacement Reserve equal to the estimated replacement cost of assets to be funded from user departments over the expected useful life of the asset. The Fixed Asset Replacement Reserve will be used for the replacement of assets currently in service.

### **Information Technology**

Information Technology should maintain a Fixed Asset Replacement Reserve equal to the estimated replacement cost of assets and anticipated enhancements and improvements to the technology infrastructure to be funded from user departments over the expected useful life of the asset.

The Fixed Asset Replacement Reserve will be used for replacement, enhancements or improvement of technology assets.

### **Risk Management**

Risk Management should maintain an overall reserve equal to the 75% discounted confidence level of the annual actuarial study to ensure financial viability. The Finance Department of the Clerk of Circuit Court books the discounted expected reserve level from the actuarial report as a liability.

In addition, should a claim be made against the County that is identified subsequent to the actuarial report and prior to the issuance of the Comprehensive Annual Financial Report that is financially material to the fund and highly likely to succeed, additional reserves should be established to provide adequate funds in reserve. Reserves will be funded through the premium rates charged to the covered entities.

### **Medical Benefits**

The Medical Benefits Fund should maintain a reserve in accordance with the annual actuarial certification requirement to ensure financial viability. The annual actuarial certification is required by the State of Florida. The County will procure an actuarial study annually and will

take a conservative approach when establishing the amount of reserves required. The Finance Department of the Clerk of Circuit Court shall book the net claim liability per the actuarial study. In addition, the County shall maintain the required reserve of 60 days of projected claims. At the conclusion of each fiscal year, an annual report will be provided to the Board on the health of the fund and whether it complies with this minimum reserve requirement.

**Workers Compensation**

The Workers Compensation Fund should maintain an overall reserve equal to the 75% discounted confidence level of the annual actuarial study to ensure financial viability. The Finance Department of the Clerk of Circuit Court books the discounted expected reserve level from the actuarial report as a liability.

**Additional Information**

All corresponding calculations and interpretation of calculations of a definitive nature will be determined by the County Administrator or his designee.

The Fund Balances will be Classifications of Balance or Net Position on the balance sheet of each fund in the official financial records of the County. This policy will be reviewed internally every three years or when deemed necessary by the Office of Financial Management for the possibility of amendments to be presented to the Board.

**SECTION 7. Repeal.**

This Resolution hereby repeals and replaces Resolution No. 2017-158 in its entirety.

**SECTION 8. Effective Date**

This Resolution shall take effect immediately upon adoption.

**PASSED AND DULY ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF SARASOTA COUNTY, FLORIDA, this 10<sup>th</sup> day of July, 2018.**

**BOARD OF COUNTY COMMISSIONERS  
OF SARASOTA COUNTY, FLORIDA**

By:   
Chair

**ATTEST:  
KAREN E. RUSHING, Clerk of the  
Circuit Court and Ex-Officio Clerk of  
the Board of County Commissioners of  
Sarasota County, Florida**

BY:   
Deputy Clerk

## EXHIBIT A

WHEREAS, the Governmental Accounting Standards issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, clarify the meaning of fund balance on financial statements

**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."

**Non-Spendable Fund Balance** – Amounts that are (a) not in spendable form or (b) legally or contractually required 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 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 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.

**Committed Fund Balance** – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board, the County's highest level of decision making authority. Commitments may be changed or lifted only by the Board taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

**Assigned Fund Balance** – Includes spendable fund balance amounts established by the Chief Financial Planning Officer or his designee that are intended to be used for specific purposes that are neither considered restricted or committed.

**Unassigned Fund Balance** – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund, except the General Fund, if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.