RESOLUTION 2016-131

A RESOLUTION UPDATING RESOLUTION 2015-123
FINANCIAL POLICIES FOR THE BOARD OF COUNTY
COMMISSIONERS, PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of County Commissioners adopted certain financial policies pursuant to Resolution 2015-123 providing the necessary framework for sound financial management practices, careful fiscal planning and healthy long-term financial management of all County resources and activities. Financial policies provide a comprehensive approach to financial management to the betterment of Nassau County citizens; and

WHEREAS, Section I Operating Budget Policy 1.7 states "Budget policies will be reviewed as part of the annual budget process" and the Board of County Commissioners has determined a need to update the Financial Policies.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners, Nassau County, Florida in regular session duly assembled on the 26th day of September 2016 that the financial policies attached hereto as Exhibit A be adopted effective October 1, 2016.

BOARD OF COUNTY COMMISSIONERS
NASSAU COUNTY, FLORIDA

Walter J. Boatright
Its: Chairman

ATTEST AS TO CHAIRMAN'S
SIGNATURE

JOHN A. CRAWFORD
Its: Ex-Officio Clerk

MES
09.28.16

APPROVED AS TO FORM:

MICHAEL S. MULLIN
Its: County Attorney

EXHIBIT A

Nassau County, Florida
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Investment Policies-Resolution 95-144 adopted by Board of County Commissioners defines the Investment Policy for Nassau County, Florida

Purchasing Policies-Ordinance 2009-09, as amended, adopted by Board of County Commissioners defines the Purchasing Policy for Nassau County, Florida

Introduction
Nassau County, Florida
Financial Policies

Financial policies are a key element of sound fiscal administration and provide the guidance for decisions of public managers. Financial policies are guidelines for operational and strategic decision making related to financial matters. They identify acceptable and unacceptable courses of action, establish parameters in which the government can operate, and provide a standard against which the government's fiscal performance can be evaluated. It is important to have financial policies that complement the statutory requirements and professional standards that establish local governments' financial framework. Financial policies were first adopted on September 25, 2006 through approval of Resolution 2006-151.

Nassau County's financial policies herein set forth the basic framework for the overall fiscal management of the County. These Policies assist the decision making process of the Board of County Commissioners and the administration by providing guidelines for evaluating both current activities and proposals for future programs.

The following resources were utilized to develop the financial policies:

- Florida Statutes
- Government Finance Officers Association (GFOA) publications
- National Advisory Council on State and Local Budgeting (NACSLB) recommended budget practices
- Rating agencies publications
- Florida Government Finance Officers Association publications
- Clerk's Citizen Budget Reform Committee recommendations
- Other governmental entities adopted policies
- Nassau County Board and department managers' recommendations

It should be noted that the policies listed herein reflect those adopted by the Nassau County Board of County Commissioners. Financial policies adopted by other County Constitutional Officers do not appear here.

Operating budget policies:

- Help all to understand how the budget is formulated and adopted;
- Communicate available opportunities and necessary restrictions to ensure long-term fiscal stability;
- Clarify to staff, management, and elected officials their roles and responsibilities;
- Explain how the operating budget links to other government documents such as the capital budget, long-term financial plan, and the strategic plan.

A budget amendment is defined as change to the budget that changes the total budget amount of that fund.

A budget transfer is defined as a change within a fund that does not affect the total budget amount of that fund.

Intradepartmental is defined as within a department's management structure. For example, the Facilities Maintenance Department manages several departments such as Maintenance-Other County Buildings, Maintenance-Judicial, Recreation, etc. Transfers between departments under the Facilities Maintenance Department control are considered intradepartmental.

Interdepartmental is defined as between departments not in the same management structure. For example, a transfer between Office of Management and Budget and Library is interdepartmental.

1.1 Pursuant to Florida Statutes 129.025, the Board has designated the Office of Management and Budget Director as Budget Officer.

1.2 Florida Statutes Chapter 129 "County Annual Budget" detailing the annual budget process and amendment requirements as adopted by the State of Florida shall be followed in compliance with Florida law. Budgets are adopted on an annual basis with the fiscal year defined as October 1-September 30.

1.3 Florida Statutes Chapter 200 "Determination of Millage" defines how Florida counties must proceed with respect to raising monies through taxation of real, personal and intangible property and shall be followed in compliance with Florida law.

1.4 The modified-accrual basis or accrual basis of accounting is followed for all funds in accordance with generally accepted accounting principles.

1.5 Budget transfers and amendments may be initiated by the director (or authorized designee) of the requesting department/division, the County Manager, Assistant County Manager or the Budget Officer. Department director requests are followed with review by the Budget Officer prior to the subsequent approval/denial by the County Manager or Assistant County Manager and the Board of County Commissioners, as set forth by the following provisions of this policy.

1.6 Budgetary Levels of Authority:

a. Budget Transfer: Transfers requested within a major expenditure category (personal services, operating and capital), within a department (intradepartmental), may be initiated by department director or authorized designee, the County Manager, Assistant County Manager or the Budget Officer and approved by the Budget Officer or his authorized designee.

b. Budget Transfer: Transfers requested not within a major expenditure category (personal services, operating and capital), but within a department (intradepartmental), may be initiated by department director or authorized designee, and require Budget Officer, or his authorized designee, the County Manager or the Assistant County Manager approval up to $50,000. Transfers of this nature $50,000 or above require Board approval.

c. Budget Transfer: Transfers requested between departments within the same fund (interdepartmental), may be initiated by department directors, County Manager, Assistant County Manager or the Budget Officer and require Budget Officer, County Manager or Assistant County Manager approval up to $50,000. Interdepartmental budget transfers $50,000 or above require Board approval.

d. Budget Transfer: Transfers from reserves require the Budget Officer, County Manager or Assistant County Manager, and Board approval.

e. Budget Amendments: the Budget Officer, County Manager or Assistant County Manager, and the Board must approve.

1.7 Budget policies will be reviewed as part of the annual budget process.

1.8 All funds are required to balance; therefore, budgeted revenues must equal budgeted expenditures for each fund.

1.9 The County's annual budget will be developed in accordance with policies and priorities set forth in the comprehensive plan, strategic plans, capital improvement plan, fleet replacement program, county goals, the needs of the community, and federal and state laws.

1.10 The County shall adopt a "revenue driven" budget philosophy where expenditures are limited to expected revenues with the existing millage rates as the beginning reference point.

1.11 Enterprise activities will strive to operate as stand alone financial entities. If an enterprise activity fails to maintain self-sufficiency 3 consecutive years a thorough review will be conducted to consider outsourcing, privatization or divestiture if financially advantageous to the County.

1.12 The Budget Officer and County Manager or Assistant County Manager will work with the Chief Financial Officer to develop financial and budget reports for submission to the Board.

1.13 For funds and departments for which there is no department head, the Budget Officer will prepare department budget. Examples: Debt Service Funds, indigent assistance department.

1.14 The County Manager or Assistant County Manager will review department budgets and adjust as considered necessary for budget presented to the Board in accordance with Florida Statutes 129.

Reserves are established to provide for the following:

- Funding to meet the County's cash flow obligations until revenues are received so that sufficient cash flow exists to eliminate the need for short-term borrowing;
- Funding for unexpected increases in the cost of providing existing levels of services;
- Funding for authorized mid-year increases that will provide for a level of services not anticipated during the budget process;
- Temporary and nonrecurring funding for unanticipated projects;
- Funding of a local match for public or private grants;
- Funding to off-set revenue reductions caused by actions of other governmental bodies and/or unanticipated economic downturns;
- Funding to accommodate unanticipated program mandates from other governmental bodies; and
- Funding for emergencies, whether economic, natural disaster or act of war.

Reserve for Contingency - General, County Transportation and Municipal Service Funds

2.1 A reserve for contingency will be determined through the budget appropriation process and in accordance with Florida Statutes. The reserve will be funded from current year revenues and not fund balance (Exception approved for FY 13/14 Budget, reserve for contingency funded 100% from fund balance).

2.2 A reserve for contingency will be budgeted at a level not less than 5% of the operating expenditure budget. Operating expenditure budget is defined as the total fund budget less capital, transfers and reserves.

2.3 The Budget Officer, County Manager or Assistant County Manager, and the Board of County Commissioners must approve requests for use of reserves. Requests will be evaluated to ensure consistency with other Board policy; the urgency of the request; the scope of services to be provided; the short and long-term fiscal impact of the request; a review of alternative methods of funding or providing the services; a discussion of why funding was not sought during the normal budget cycle; and a review of the impact of not funding or delaying funding to the next fiscal year.

Reserve for Minimum Fund Balance – General, County Transportation and Municipal Service Funds

2.4 A reserve for minimum fund balance will be budgeted at a target level equal to two (2) months of Countywide operating expenditures as reported in the previous year's audited financial statements. Purpose is to protect the County against potential financial risk, ensure cash flow prior to receipt of budgeted revenue, for use in the event of a disaster or emergency and to protect the County's credit rating.

Assigned Fund Balance – General, County Transportation, and Municipal Service Funds

2.5 Fund balance may be assigned for various purposes by the Board of County Commissioners, including but not limited to, capital projects, fleet replacement, litigation, Constitutional Officers' reserves, etc.

All Other Governmental Funds

2.6 The various other governmental funds of the County have vastly differing objectives, cash flows and revenue patterns. Therefore, the appropriate level of fund balance and reserves in the other governmental funds will be determined on a case-by-case basis due to the specific needs of the fund.

Enterprise Funds

2.7 The appropriate level of net assets in all enterprise funds will be determined on a case-by-case basis due to the specific needs of the fund. Legal requirements and bond covenants will be complied with at all times.

2.8 A reserve for contingency will be budgeted at a level not less than 5% of the operating budget. Operating budget is defined as the total budget less capital, transfers and reserves.

The development and use of revenue policies:

- Aid in the consistent provision of public services;
- Help ensure financial stability regardless of economic fluctuations;
- Guide revenue practices so they are fair to citizens.

3.1 The County will attempt to maintain a diversified and stable revenue stream to provide protection against fluctuations in any revenue source. This shall include consideration of establishing a Municipal Service Benefit Unit (MSBU) or Municipal Service Taxing Unit (MSTU) when the improvement or benefit is directed at a specific area in the County.

3.2 In the event a significant revenue shortfall is projected or has occurred, the County will develop a plan to reduce expenditures, use reserves, and/or take other appropriate actions to maintain the financial integrity of the County.

3.3 Non-recurring revenues in the General, County Transportation and Municipal Service Funds are prohibited from funding recurring expenditures. Examples of non-recurring revenues are sales of fixed assets, budgetary savings from a debt refinancing, court settlements, tax collection windfalls and fund balance. (Exception approved for FY 12/13, FY 13/14, FY14/15, and FY15/16 Budgets)

3.4 Department/division heads will review department revenues annually during the budget process. The full cost of providing services for which fees are or should be charged will be identified. The calculation of cost will include all reasonable and justifiable direct and indirect cost components. Fee schedules will be based upon cost recovery goals for each fee and will be approved by the County Manager or Assistant County Manager and Board as required by enabling legislation.

3.5 County staff will continue to aggressively pursue federal and state grants and legislative changes where necessary.

3.6 The County will follow an aggressive policy of collecting revenues.

3.7 Florida Statutes will be adhered to in determining how state revenues may be budgeted and spent.

3.8 The budget will be organized so that revenues are related to expenditures whenever possible. County wide revenues shall be allocated to funds providing county wide services and unincorporated revenues to funds that provide unincorporated services. Revenues generated by departments will be assigned the same organizational number as the departmental expenditures.

3.9 When budgeting revenues, the local economy and guidance from the state will be taken into consideration. Reasonable estimates will be maintained to avoid a potential revenue shortfall.

3.10 Not less than 95% of estimated revenues will be budgeted.

3.11 All fee revenues (including impact fees) will be based on fee schedules adopted by the Board. All BOCC fee schedules will be reviewed and updated, if necessary, on an annual basis.

3.12 Each year, before budget packages are sent to departments, the Budget Officer will prepare major revenue estimates and provide those estimates to the County Manager so he/she may provide guidance to departments in preparing budget requests.

The development and use of expenditure policies:

- Aid in the consistent provision of public services;
- Help ensure financial stability regardless of economic fluctuations;
- Guide expenditure practices so they are fair to citizens.

4.1 The County will provide for a level of expenditures sufficient to ensure the ongoing health, safety, and welfare of citizens.

4.2 Within the resources available each fiscal year, the County shall maintain capital assets and infrastructure at a sufficient level to protect the County's investment, to minimize future replacement and maintenance costs, and to continue service levels.

4.3 The operating and capital budgets will be reviewed concurrently. A fiscal impact operating analysis must be prepared for items contained within the capital improvement budget and incorporated into the operating budget as part of the annual budget process.

4.4 New services/programs will not be added without a cost-benefit analysis incorporating current and future budget impact. The Chief Financial Officer's recommendations will be considered.

4.5 The County Manager or Assistant County Manager will determine annual department requested budget targets based upon revenue forecasts received from the Budget Officer, economic conditions, county goals and objectives and other sources as deemed necessary.

4.6 Department heads must review and control expenditures so that actual expenditures do not exceed budget. Departments are expected to adjust spending levels as required to ensure compliance within established budget. If the department head determines additional budget is required and not available within the department's budget, a request for funding assistance should immediately be forwarded to the County Manager or Assistant County Manager containing department analysis and recommendation.

4.7 Transfers and budget amendments will be processed in accordance with adopted Operating Budget Policies.

4.8 Expenditure budgets will be developed in accordance with policies and priorities set forth in the County's Comprehensive Plan, strategic plans, capital improvement plan, fleet replacement program, County goals, the needs of the community, and federal and state laws.

Purposes of Capital Improvement Policies are to:

- Provide Nassau County with an orderly process for planning and budgeting for capital needs;
- Serve as a link to the County's planning process and compliance with adopted Comprehensive Plan standards, strategic plan or other long-range plans;
- Prioritize current and future needs to fit within the anticipated level of financial resources;
- Provide a description of projects to be developed by County, communicating to citizens, businesses, and other interested parties the County's capital priorities and plans for implementing projects including funding.

Capital Improvement Plan

5.1 The Capital Improvement Plan (CIP) shall consist of capital projects with a cost estimate of at least $50,000 and an asset life of at least five (5) years. Capital projects include land, buildings, infrastructure and equipment and may involve a new purchase, new construction, major repair, renovation or replacement of existing asset but exclude Fleet Replacement Plan assets. Initial five (5) year CIP was adopted for fiscal years 2007/2008 – 2011/2012.

5.2 The County shall evaluate and prioritize capital improvement projects based upon the judgment of the County Manager or Assistant County Manager considering the following criteria:

a. Preservation of the health and safety of the public
b. Compliance with all mandates and prior commitments
c. Elimination of existing deficiencies
d. Maintenance of adopted level of service standards
e. Protection of existing capital investments
f. Consistency with the County's Comprehensive plan and plans of other agencies
g. Eligibility for grants
h. A demonstrated relationship between projected growth and capital project
i. Impact on operating costs
j. Utilization of economies of scale and timing of other projects
k. Adjustment for unseen opportunities, situations, and disasters
l. Funding sources

5.3 Funding shall be identified for each Capital Improvement Plan project.

5.4 Revenues dedicated specifically to capital projects include:

a. At least 25% of One Cent Sales Surtax (Exception approved for FY12/13 and FY16/17 Budgets).
b. An annual appropriation from the County Transportation Fund of not less than $1,500,000 for transportation related capital projects (Exception approved for FY 10/11, FY 11/12, FY14/15 and FY15/16 budgets).
c. Proportionate Share payments and other negotiated developer payments
d. Impact fees for law enforcement, fire rescue, administrative facilities, and recreation.
e. Mobility fees for transportation.

5.5 Use of impact and mobility fees shall be reviewed annually as part of the budget process and in compliance with adopted ordinances as amended.

5.6 Annually, a five-year Capital Improvement Plan (CIP) will be developed consistent with the Capital Improvement Element (CIE) of the County's Comprehensive Plan and in compliance with Florida Statutes regarding growth management. Capital improvement needs related to the County's Comprehensive Plan will be assessed at least annually. The five-year CIP shall be adopted by a Resolution of the Board of County Commissioners.

5.7 Annual updates of the Capital Improvement Plan (CIP) shall be coordinated between the County's Budget Officer and the Department of Growth Management for those aspects of the CIP related to the County's Comprehensive Plan to ensure synchronization with the County's budget process and compliance with Florida Statutes regarding growth management.

5.8 If additions or deletions to the adopted Capital Improvement Plan (CIP) are needed more frequently than annually, these changes shall be by a Resolution of the Board of County Commissioners amending the annually adopted Capital Improvements Program Resolution and action taken to insure compliance with Florida Statutes regarding growth management.

5.9 A fiscal impact operating analysis must be prepared for each item contained within the Capital Improvement Plan for the period covered in the Plan. Future operating, maintenance, and replacement costs associated with the new capital improvement will be forecast, matched to available revenue sources, and included in future operating budgets. Such information will also include any savings.

5.10 The County will make capital improvement expenditures in accordance with the Capital Improvement Plan.

5.11 The first year of the 5-year Capital Improvement Plan (CIP) will be used as the basis for formal fiscal year appropriations during the annual budget process. Appropriations made in prior years for which expenditures have not occurred nor projects completed, will be reevaluated for inclusion in CIP and appropriation in new fiscal year.

5.12 Each Capital Improvement Plan budget will include a reserve for contingency for each project, if appropriate. The reserve should generally be between 10%-15% of the estimated project cost.

Fleet Replacement Program

5.13 The Fleet Replacement Program (FRP) shall consist of vehicles and equipment (rolling stock only), their attachments and implements with an estimated replacement cost of $10,000 or more. The initial Fleet Replacement Program was adopted by resolution with purchases identified for fiscal year FY2011/2012.

5.14 Fleet purchases will be made in accordance with the adopted Fleet Replacement Program Policy.

5.15 The Board of County Commissioners has the ultimate approval for the Fleet Replacement Plan with the adoption of the annual County budget.

Debt management policies are intended to provide a comprehensive and viable debt policy which recognizes the capital improvement needs of the County as well as the taxpayers' ability to pay while taking into account existing legal, economic, financial and debt market considerations.

Debt management policies:

- Set forth requirements and limitations for debt issuance;
- Strengthen the quality of decisions, and provide parameters for the decision-making process;
- Demonstrate the County's commitment to long-term financial planning;
- Transmit a message to rating agencies that the County is committed to sound financial management.

Purposes of Debt Issuance

6.1 The County will issue long-term debt only for the purposes of financing capital improvement projects that cannot be financed from current revenues or fund balance/retained earnings and for refunding outstanding debt when sufficient cost savings can be realized or it is advantageous to do so.

6.2 The County will not use long-term debt to finance current operations.

6.3 The County may enter into long-term leases for the acquisition of major equipment when it is economically beneficial.

6.4 Conduit debt issued/sponsored shall have a general public purpose. All conduit financings must insulate the County completely from any credit risk or exposure and must be approved by the County's bond counsel and financial advisor before being submitted to the Board of County Commissioners for authorization.

Financial Requirements

6.5 Capital improvements requiring financing shall be financed by debt to be repaid from legally available revenue sources.

6.6 Revenue sources will be pledged for debt only when legally available. In those situations where proposed revenues to be pledged have been used for operation and maintenance expenses, an alternative revenue source to replace the same must be identified.

6.7 On all debt-finance projects, the County will attempt to make a down payment of at least 10 percent of total project costs from current available revenues.

6.8 When possible, the County will issue special assessment, revenue or other self-supporting bonds instead of general obligation bonds. Creation of Municipal Service Taxing Units (MSTU) and Municipal Service Benefit Units (MSBU) will be considered whenever practical.

6.9 The County will use voted general obligation debt to fund capital improvements, which cannot be financed from available funds. Every effort will be made to limit the amount of general obligation debt.

6.10 The County will use a "pay as you go" policy unless internal funding is not sufficient to meet capital needs and future citizens will realize a significant benefit from the project.

Maturity Limitations

6.11 Debt financing shall not exceed 90% of the useful life of the capital project, but in no event to exceed 30 years.

General Debt Limitations

6.12 The County will seek to attain and maintain the highest credit rating possible.

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

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

6.15 Compliance with existing debt coverage ratios will be satisfied at all times and analyzed before additional debt is issued.

Debt Issuance Restrictions

6.16 The County shall use the services of outside finance professionals such as a Financial Advisor and Bond Counsel.

6.17 Credit enhancements such as insurance, letters of credit, etc. will be used in those instances where deemed beneficial to do so.

6.18 No debt shall be issued without the approval of the Board of County Commissioners.

Refunding/Prepayment

6.19 Based on periodic review and the recommendation of the financial Advisor and Bond counsel, the County will refund or prepay any outstanding debt when sufficient cost savings can be realized or is considered advantageous to County.

Disclosure Requirements

6.20 The County along with the Chief Financial Officer will jointly maintain solid relationships with bond rating agencies, providing financial condition updates and other relevant information.

6.21 The County shall comply with all covenants and requirements of the bond resolutions, bond trust agreements and State and Federal laws authorizing and governing the issuance and administration of debt obligations. The Chief Financial Officer is responsible for compliance with annual disclosure requirements.

Arbitrage Reporting

6.22 The Chief Financial Officer shall establish a system of record keeping and reporting, or procure the services of a company specializing in arbitrage, to meet the arbitrage rebate compliance requirements of the federal tax code to preserve the tax-exempt status of the County's outstanding and future debt issues.

Investment of Bond Proceeds

6.23 The investment of bond proceeds shall be governed by the adopted Investment Policy and applicable bond covenants under the guidance of the Chief Financial Officer.

Short-Term and Interim Financing

6.24 The County may choose to issue short-term financing tools such as bond anticipation notes, tax anticipation notes, line of credit, or pooled commercial paper where their use is judged by the County's financial advisor and bond counsel to be prudent and advantageous. The Chief Financial Officer's recommendations will be considered.

6.25 The County will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency, which is unforeseen and beyond its control.