



City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	Item Type:		1 st Reading	2 nd Reading
2/5/2020	<input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Other	Ordinance Reading	12/18/2019	2/5/2020
		Public Hearing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		Advertising Required	<input type="checkbox"/>	<input type="checkbox"/>
		Quasi Judicial:	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal Impact (\$):	Account Balance (\$):	Funding Source:	Project Number :	
N/A	\$9.397 Millions As of 9/30/18	General Fund	N/A	
Contract/P.O. Required	RFP/RFQ/Bid Number:	Sponsor Name:	Department:	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Marie M. Gouin, Director	Budget & Program Monitoring	
Strategic Plan Focus Areas:				
<input checked="" type="checkbox"/> Financial	<input type="checkbox"/> Organizational Capacity	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Development, Redevelopment and Economic Development	
Implementation Timeline				
Estimated Start Date: 12/18/2019 Estimated End Date: N/A				

SHORT TITLE:

AN ORDINANCE OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, ADOPTING A FUND BALANCE POLICY TO GOVERN NON-SPENDABLE, SPENDABLE, RESTRICTED, COMMITTED, ASSIGNED, UNASSIGNED FUND BALANCES AND EMERGENCY FUNDING; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

The City of Hallandale Beach (the City) proposes to establish and maintain a policy for preserving adequate reserves to provide funds for unforeseen expenditures related to emergencies in

accordance with policies established by the City Commission, to provide the capacity to secure and maintain investment grade bond ratings and sufficient cash flow for daily financial needs, and to offset significant economic downturns or revenue shortfalls. A structurally balanced budget requires that fund balance generally not be used to pay for recurring expenses.

Background:

The proposed resolution establishes a Fund Balance/Emergency Reserve Policy for the General Fund. Whereas, the General Fund currently does not have a defined designation, staff recommends setting a minimum amount of 16% of unassigned fund balance as a threshold for its reserve, which is approximately two months of operating expenditures.

Previously, the City Commission adopted a 16% designation through Fiscal Year 2017-2018 budget ordinance. Such designation is limited to that year's budget cycle. Currently, there is not an official Fund Balance Policy that has been adopted by the City. Fund balance is comprised of non-spendable, restricted, committed, assigned, and unassigned amounts as explained below. This policy will primarily set aside 16% of unassigned fund balance to be assigned as an emergency reserve for the General Fund.

Current Situation:

FY 2018 Budget Ordinance No. 2017-20 contains language that establishes a utilization of reserves policy that sets a floor for reserves in the major funds. In the General Fund, there is a reservation of fund balance of no less than 16% of regular operating expenditures. Staff has used the 16% floor in subsequent fiscal years leading to this proposed policy. As of FY 17/18 the General Fund did not meet the minimum threshold of 16%. Based on the FY 18/19 Budget, using the 16% threshold, the minimum should have been \$11.6 million, but at 9/30/2018 in accordance with the Comprehensive Annual Financial Report (CAFR) the unassigned fund balance was \$9.4 million.

This policy is for the City to maintain a minimum for an emergency reserve from the unassigned fund balance in the General Fund at 16%. The minimum unassigned fund balance shall be determined based upon the most recently audited CAFR. In the event, after the annual audit, that the unassigned fund balance falls below 16% in the General Fund, the City Manager will prepare and submit a plan for replenishment of the emergency reserve to the City Commission, as follows:

1. 50% - 99% of the established target, the City Manager will develop and submit to the City Commission a budgetary plan to replenish these reserves in three (3) to five (5) years.
2. Less than 50% of the established target, the City Manager will develop and submit to the City Commission a budgetary plan to replenish these reserves in one (1) to three (3) years.

Compliance with the provisions of this policy shall be reviewed after the completion of the annual financial audit and before the beginning of the subsequent fiscal year (July 1 through September 30), and the amount of unassigned fund balance shall be calculated by the Budget Director.

Why Action is Necessary:

Action is necessary for the City Commission to have guidelines that will establish priorities for decision making, budget development and ensure adequate funding for operational emergencies.

Cost Benefit:

By adopting an official fund balance policy, the City Commission establishes guidelines and specific actions for the replenishment of unassigned fund balance when it is drawn down below the recommended level.

PROPOSED ACTION:

Staff recommends approval of the attached proposed ordinance.

ATTACHMENT(S):

Exhibit 1 – Proposed Ordinance
Exhibit 2 – Policy