

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA, REPEALING RESOLUTION NOS. R-2011-238 AND R-2018-053 REGARDING THE CITY'S FUND BALANCE POLICY AND ADOPTING A NEW FUND BALANCE POLICY CONSISTENT WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54, FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS.

WHEREAS, on September 21, 2011, the City Commission adopted and approved Resolution R-2011-238, establishing a fund balance policy for the City's General Fund of a minimum unrestricted fund balance amount of 17% of General Fund operating expenditures, which is equal to approximately two months of General Fund operating expenditures, consistent with Government Standards Accounting Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and the Government Finance Officers' Association recommendation; and

WHEREAS, on February 21, 2018, the City Commission adopted and approved Resolution R-2018-053, amending the fund balance policy to recommend annual review of the policy during budget adoption and remove the second paragraph of Section 6 of Resolution R-2011-238, which required a five-year City Commission review of the policy; and

WHEREAS, it is considered prudent for a municipality to conduct an annual review of its Fund Balance Policy to ensure consistency with the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and the City desires to repeal the existing Fund Balance Policy and adopt a new Fund Balance Policy as set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA:

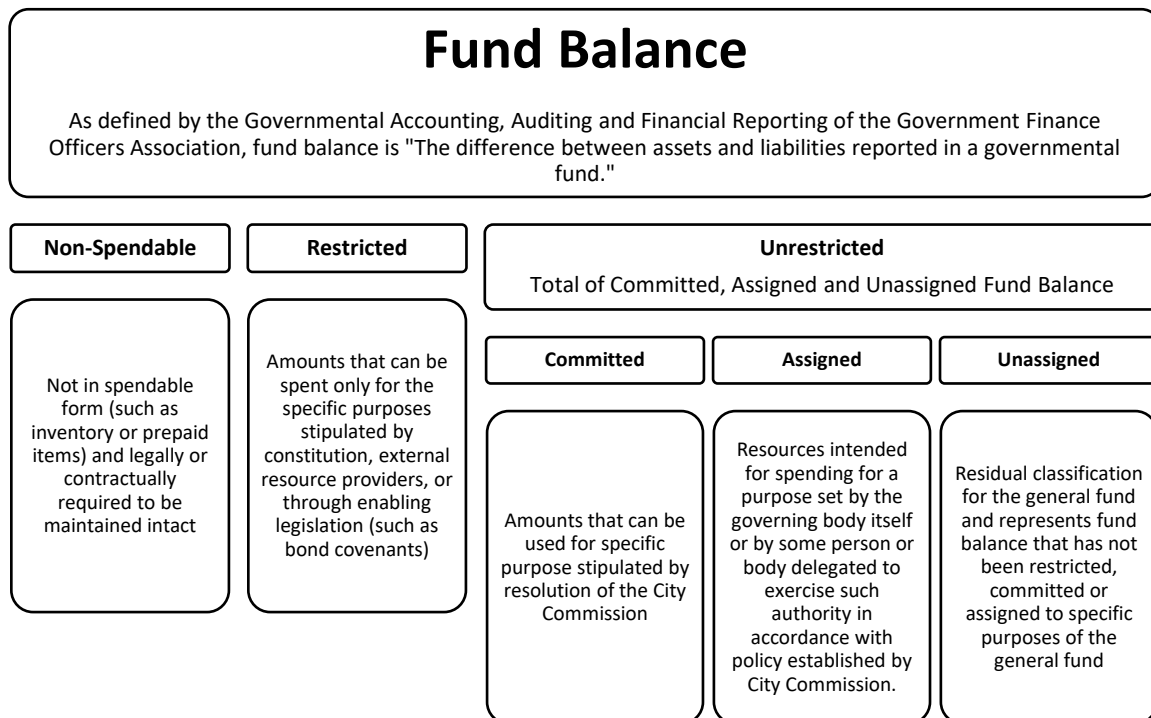
Section 1: That the foregoing "WHEREAS" clauses are ratified and confirmed as being true and correct and are incorporated in this Resolution.

Section 2: That the City desires to maintain a prudent level of financial resources to guard against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures in the General Fund. This policy serves as a framework to provide the capacity to:

- 1) Provide sufficient cash flow for daily financial needs;
- 2) Offset significant economic downturns and revenue shortfalls;

- 3) Maintain stable tax/fee rates;
- 4) Provide funds for unforeseen expenditures related to emergencies;
- 5) Provide for renewal and replacement of long-lived assets; and
- 6) Secure and maintain investment grade credit ratings.

Section 3: That this Fund Balance Policy will be consistent with Government Standards Accounting Board definitions and shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts, as reflected below:



Section 4: That this Fund Balance Policy establishes a framework for reporting, within the annual financial statements, of fund balance within the City's governmental funds.

1. Non-Spendable Fund Balance

Non-spendable fund balance is established to report items that are not expected to be converted to cash such as inventory and prepaid items, items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale, and items legally or contractually required to be maintained intact such as the corpus (or principal) of a permanent fund.

2. Restricted Fund Balance

As previously defined, restricted fund balance means 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 and will be budgeted and reported in special revenue funds, capital project funds or debt service funds.

3. Unrestricted Fund Balance

As previously defined, the unrestricted fund balance is the total of the committed fund balance, the assigned fund balance and the unassigned fund balance.

Committed Fund Balance

Commitment of fund balance may be made from time-to-time by resolution of the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally (resolution). The use (appropriation) of committed fund balances will be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of the City Commission during the fiscal year.

Assigned Fund Balance

Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself, and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

Section 5: That the minimum unassigned fund balance target for the general fund will equal 17% of General Fund operating expenditures as recommended by the Government Finance Officers Association. This target is not inclusive of any non-spendable, restricted, committed or assigned amounts.

Section 6: That the fund balance reserves should generally not be used to cover recurring expenses. In the event, after the annual audit, that the unassigned fund balance falls below 17% of General Fund operating expenditures, the City Manager will prepare and submit a plan for replenishment (i.e., committed and/or assigned fund balance

reduction, expenditure reductions and/or revenue increases) to the City Commission. The City shall take action necessary to restore the unassigned fund balance to acceptable levels within three fiscal years.

Section 7: That excess unassigned fund balance reserves can be used to cover one-time expenditures or carried forward for use in future years. In the event that the unassigned fund balance exceeds the minimum amounts as set forth above, the excess may be utilized for any lawful purpose. By resolution of the City Commission, it is recommended that priority be given for one-time costs, including but not limited to:

- a) Funding the Other Post-Employment Benefits (OPEB). Surplus funds can be used to fund the City's large OPEB liability.
- b) Establish a capital replacement program. Surplus funds may be used to supplement the City's Five Year Capital Improvement Program and establish a capital replacement program for vehicles, information technology, heavy equipment replacement, or general maintenance of capital assets.
- c) Reduce or avoid debt. If there is short-term debt within the fund, the surplus funds may be applied to reduce or eliminate debt if the advantages can be substantiated with a financial analysis. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if the advantages can be substantiated with a financial analysis.

These allocations will be set aside in the Unrestricted Assigned category of the General Fund Balance until appropriated.

Section 8: That the City Commission establishes the following fund balance reserves in the Unrestricted Committed category of the General Fund Balance:

Disaster Reserve

The disaster reserve fund balance is committed by the City Commission to equal five percent of the general fund expenditures to ensure the maintenance of services to the public during disaster situations such as but not limited to hurricanes.

Section 9: That the actual amount of unrestricted fund balance (total of *committed fund balance, assigned fund balance and unassigned fund balance*) is not known until the completion of the annual audit that takes place between three to six months after the end of the fiscal year being audited.

Section 10: That compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process. The minimum level of unassigned fund balance target for the general fund shall be determined during this process.

Section 11: That the City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Section 12: That this Resolution shall be in full force and effect immediately upon its passage and adoption.

PASSED AND ADOPTED this _____ day of _____, 2019.

JOSH LEVY, MAYOR

ATTEST:

PATRICIA A. CERNY, MMC, CITY CLERK

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY for the use and reliance
of the City of Hollywood, Florida, only.

DOUGLAS R. GONZALES, CITY ATTORNEY