

Meeting Date
April 28, 2015



AGENDA	
Section	New Business
Item No.	VI.C.1

**AGENDA REPORT**  
*BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS*

SUBJECT:	<b>REVIEW AND APPROVAL: BUDGET AND FINANCIAL POLICY (BCC #21)</b>
DEPT/OFFICE:	Budget Office

Requested Action:  
 It is requested that the Board of County Commissioners review and approve changes to BCC #21 that provides guidance to staff on managing County finances and developing and amending the County's Annual Operating and Capital Improvement budget.

Summary Explanation & Background:

**Summary Explanation & Background:**  
 The Budget and Financial Policy (BCC #21) provides overall guidance to County staff in the preparation and amending of the County's Annual Operating and Capital Improvement budget. For clarification on certain aspects of the policy, recommended changes are being provided to the Board of County Commissioners for review and approval. The revised policy incorporates current practices and procedures. The attached strikethrough policy accomplishes the following:

- **Section III.B.5** – allows for RFPs for independent auditing services to be advertised no more frequently than every three years. This will allow for three years contracts plus renewal options.
- **Section III.B.9** – amends this article to require that changes to the Board approved Operating Budget and Capital Plan that affect the scope or mission related to award for tangible items, projects or equipment that exceed \$100,000, be subsequently approved by the Board of County Commissioners.
- **Section III.C.6** – corrects numbering sequence.
- **Section III.C.7** – added to the policy to accommodate Section 20 of Department of Treasury form 4564, which covers compliance with Federal Income Tax and bond arbitrage regulations. (Finance Department modification)
- **Section III.G** – intent of modifications to this section is to more clearly authorize actions, not the practices that will be established to authorize the actions. (County Attorney modification)
- **Section III.G.7 and III.H.2** – amends these items to eliminate contradictory statements. Previous Board approved action authorized the County Manager's to utilize Reserve funds associated with projects approved by the Board of County Commissioners. These changes are to clarify these two items with respect to that authorization.

**Fiscal Impact:** There is no fiscal impact.

Clerk to the Board Instructions:

Exhibits Attached:

Contract /Agreement (If attached): Reviewed by County Attorney    Yes     No     PR

County Manager	Assistant County Manager, Mel Scott	Department Director / Extension
Stockton Whitten	Assistant County Manager, Venetta Valdengo	Tom Rosenberg/528541



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April 29, 2015

**M E M O R A N D U M**

**TO:** Stockton Whitten, County Manager

**RE:** Item VI.C.1., Approval of Policy BCC-21, Budget and Financial

The Board of County Commissioners, in regular session on April 28, 2015, approved Policy BCC-21, providing guidance to staff on managing County finances and developing and amending the County's Annual Operating and Capital Improvement budget. Enclosed is the original Policy.

Your continued cooperation is greatly appreciated.

Sincerely yours,

**BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK**

Tammy Etheridge, Deputy Clerk

Encl. (1)

cc: Finance  
Budget

# POLICY

TITLE: Budget and Financial	NUMBER: BCC-21
	CANCELS Dec. 17, 2013
	APPROVED: April 28, 2015
	ORIGINATOR: Budget Office
	REVIEW: April 2016

## I. OBJECTIVES

- A. Provide clear direction to Staff in managing the County's finances and developing the County's Annual Operating and Capital Improvement budget.
- B. Provide sound, careful planning and long-term financial management.
- C. Raise Moody's Investment Service and Standard and Poor's current rating of Brevard County to the highest rate possible.
- D. Comply with standards set by the Government Finance Officers Association (GFOA) for budget development and financial management.

## II. DEFINITIONS and REFERENCES

**Reference:** Florida Statutes Chapters 129.06, 129.021 and 218.415; BCC Policy Number 49.

### **Definitions:**

Administrative Budget Change. Administrative change to properly align funding resources in the budget that were approved by the Board or under the County Manager approval authority.

Available Funds. Cash and equivalent units not needed for the support of day-to-day activities or the capital requirements of the County in the immediate future.

Budget. A plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing such expenditures. The "given period of time" is one fiscal year as defined below.

Budget amendment - Regular. A change resulting in an increase or decrease in the total of a fund resulting from the receipt of revenue from a source not anticipated in the adopted budget and where the appropriations are for a specific purpose related to the receipt. Any change to the total budget of an Enterprise or Proprietary Fund is also an amendment.

Budget amendment - Supplement. A change in the total of a fund whenever the increase or decrease does not meet the criteria for classification as a regular budget amendment as given above. A public hearing, after advertisement, is required for the final approval of a supplement.

Balance carried forward. Net current assets available from the prior fiscal year which are brought forward into the current fiscal year to support appropriations. Net current assets are frequently the same as unreserved fund balance.

Capital improvement plan. A five year expenditure plan for major projects costing \$35,000 or more. The financial resources which support the project expenditures are also identified in this plan.

Custodial Agreement. An agreement with a bank or financial institution for the storage of a customer's investments for safekeeping.

Debt service. The amount of money dedicated annually to repay the interest, principal and other related expenditures due on bonds, leases, and other forms of short and long-term debt.

Donations. Any monies, tangible personal property, and/or services offered for County use and control.

Fiscal year. A twelve month period to which the accounting and budget period apply. In Florida, the fiscal year for counties begins on October first and ends on September 30th of the subsequent calendar year.

Fund balance. The difference between assets and liabilities reported in a governmental fund. The Governmental Accounting Standards Board (GASB) has defined the five primary reporting fund balance categories:

1. Assigned - Includes spendable fund balance amounts established by the Board of County Commissioners that are intended to be used for specific purposes that are neither considered restricted or committed.
2. Non-spendable – Amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.

3. Committed – Amounts that can be used only for the specific purposes determined by a formal action (resolution or ordinance) of the Board of County Commissioners, the County’s highest level of decision making authority.
4. Restricted - 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.
5. Unassigned - 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 if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Intrafund transfer. A transfer of financial resources between funds or subfunds which are aggregated into a single reporting unit in the Comprehensive Annual Financial Report. In other words, a transfer between two funds of a similar type that are both part of a department or program that is reported as a discrete financial component of the County’s annual financial report.

Interfund transfer. A transfer of financial resources from one fund to another where the funds are presented as parts of separate reporting units in the Comprehensive Annual Financial Report. In other words, a transfer between two funds that are of different types or that are not part of the same department or program as reported in the County’s annual financial report.

Line-item transfer. A transfer of financial resources from one expenditure line to another that does not change the budget in a fund.

Material event: Events regarding a Brevard County bond issue, for which the County is the borrower, when such events would be considered material to a prudent investor. Material events include, but are not limited to, principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the security; modifications to the rights of security holders; bond calls; defeasance; release, substitution or sale of property securing repayment of the securities; and rating changes.

Private activity bonds. Private activity bonds are allocated by the State for private activities having a public benefit which must be induced (initiated) by a government agency.

Pro forma. A projection of future revenues, expenditures and cash flows based upon projections and estimates of underlying economic, statistical and financial factors.

Proprietary funds. A term for the accounting segregation into separate funds for the income-producing or commercial-type activities of the County that may be either enterprise or internal service funds.

Reserves. Accounts used to designate certain portions of a fund or types of net assets as being unappropriated for expenditures or as legally required to be set aside for specific purposes. There are three primary reserve categories:

1. Operating Reserves – Stabilization funds used to address cash flow integrity, temporary cash flow shortages, emergencies, unanticipated economic downturns and one-time opportunities. These stabilization funds are typically known as unrestricted reserves.
2. Restricted Reserves - A specific amount reserved in the budget in accordance with statutes or contractual obligations such as bond covenants.
3. Capital Reserves – A specific amount reserved in the budget for capital improvements or acquisitions scheduled for subsequent fiscal years.

Revenue bonds. Bonds which are repaid in principal, interest and other costs from the earnings of a proprietary fund or a specifically identified non-ad valorem revenue source.

Tangible Personal Property. All furniture, equipment, fixtures, and other property (excluding real estate or money) of a nonconsumable nature and a normal expected life of one year or more.

### **III. DIRECTIVES**

**A. Financial Planning. The County will establish financial planning practices to:**

1. Provide the foundation of good public policy which is decision-making that provides the maximum public benefit for the least amount of public investment.
2. Provide that the annual operating budget and Capital Improvement Plan (CIP) for Brevard County shall be developed by the Budget Office. The Budget Office, with assistance from operating departments/offices and information maintained by the Clerk Finance Department in the County's

accounting system, will provide estimated revenues and other financing sources in the Budget. The budget will be developed under the direction of the County Manager and adopted by the Board of County Commissioners as provided by Florida Statutes.

- a. The annual capital outlay budget shall be developed by the Budget Office in conjunction with all departments and shall be included in the annual operating budget.
  - b. The Capital Improvement Plan shall be a five-year plan for the acquisition and improvement of capital assets in all areas of County operations. This plan shall be coordinated with the annual operating budget and shall conform to the Brevard County Comprehensive Plan.
  - c. The start-up and continuing operational costs associated with the construction and implementation of capital improvement projects shall be estimated and disclosed as part of a financial impact statement before a capital improvement project is authorized and funded by the Board of County Commissioners.
3. Provide that the Board of County Commissioners in developing a budget will attempt to balance the needs of the community with the County's limited financial resources. It is the Board's policy to recognize the true cost of these needs and to reflect these needs in a realistic and financially sound budget. Provide that the County will strive to better utilize its resources through the use of productivity or efficiency enhancements and privatization whenever such enhancements are more cost effective and meet service requirements. At the same time, it shall be recognized that the costs of such enhancements should not exceed the gain in expected benefits.
  4. Provide that expenditures which support mandated programs and necessary local programs as determined by the Board of County Commissioners will be given priority over other County activities or non-mandated service programs. The source and level of funding will be determined by the Board as provided by Federal or State law.
  5. Provide that the County Manager or his designee shall be the County Budget Officer of Brevard County and will carry out the duties set forth in Chapter 129, Florida Statutes.
  6. Provide that the responsibility for the establishment and monitoring of accounting systems and custodian of the Board's funds shall lie with the Clerk Finance Department.

7. Provide that the Budget and Financial Policies shall be reviewed annually by the Board of County Commissioners prior to the budget workshops to ensure that the policies are consistent with the objectives of the Board and are applicable to current State law and financial trends.
8. Provide that the identification of all costs (indirect, direct, recurring and non-recurring costs) associated with each service; program or project shall be disclosed to the Board of County Commissioners.
9. Provide that formal budgets shall not be adopted for non-expendable trust and agency funds. Budgets are not necessary for funds of a custodial nature.
10. Provide that flexible budgets shall be adopted for the Board's proprietary funds. The adopted proprietary fund budgets shall serve as a management guide and are not intended to be all inclusive since the demand for goods and services determines the level of revenues and expenditures. Consequently, changes in amounts budgeted can be made using the budget amendment approval process.
11. Provide that the budgetary comparisons presented within the County's Comprehensive Annual Financial Report (CAFR) will be presented at the functional level within each reported fund.

**B. Accounting and Reporting. The County will establish accounting, reporting and control systems to:**

1. Ensure the Clerk Finance Department maintains accounting, reporting and control practices in conformance with the Uniform Accounting System of the State of Florida and Generally Accepted Accounting Principles (GAAP). In case of a conflict between State law and GAAP, State law shall prevail.
2. Provide that no later than 60 days after the close of each fiscal quarter, the Budget Office, utilizing information maintained in the County's accounting system by the Clerk Finance Department, will submit to the Board a Quarterly Budget and Financial Report that includes a summary of activity for all funds, departments and/or programs with variances from budgets. The County Manager will recommend corrective action when applicable.
3. Provide that the Budget Office, with assistance from operating departments/offices, will submit a Mid-year and an Annual Report to the Board for each budgeted capital project within the fiscal year no later than 60 days after the close of each fiscal quarter. The report will provide

current budget, year-to-date expenditures, progress made toward project completion, projected cash flows and any developing trend or problem.

4. Ensure the annual financial and compliance audits of the County's financial records are conducted by an independent firm of certified public accountants whose findings and opinions are published and available for public review.
5. A request for proposals (RFP) for independent auditing services shall be advertised no more often than every three years. This will allow for three year contracts plus renewal options, as appropriate.
6. Ensure that annually the Clerk Finance Department will seek the Government Finance Officers Association (GFOA) Certificate of Achievement in Financial Reporting, and the Budget Office will seek the GFOA's Distinguished Budget Presentation Award.
7. Florida Statutes Section 129.021 requires that all County Departments/Offices and Charter Officers submit their budgets in sufficient detail as required by the Board of County Commissioners. This shall mean that all County departments/offices and Charter Officers will submit their budgets on the forms provided by the Budget Office.
8. The Budget Office will submit a detailed list of proposed capital outlay items and equipment to be included in the annual operating budget as defined in III.A.2.a. above. This list will be reviewed and approved by the Board of County Commissioners during the public hearings on the annual Budget.
9. Board approval of the Annual Operating Budget and Capital Improvement Plan shall also serve as approval for County departments/offices to advertise formal solicitation of bids and proposals, and award the low bid for tangible items, projects and equipment when funding is available. Changes affecting the scope or mission related to award for tangible items, projects and equipment exceeding \$100,000, approved in the Annual Operating Budget and Capital Improvement Plan, shall require subsequent approval by the Board of County Commissioners.
10. Require all County department, office and agency directors who spend bond revenue for bonds issued or refinanced after July 3, 1995, to perform due diligence reviews of financial information and operating information initially presented to bond buyers in the final official statement and to report findings to the Clerk Finance Director for inclusion in the County's annual disclosure required by Code of Federal Regulation 240.15c2-12, and require all department, office and program managers to report any

potential material event for the same bond issues to the County Attorney's Office for immediate review. The County Attorney's Office will report the potential material events to the County Manager's Office, Budget Office, Clerk Finance Director and the County's financial advisor, disclosure and bond counsels. After review, the County Attorney's Office, the County Manager's Office, Budget Office, Clerk Finance Director, and the County's financial advisor, disclosure and bond counsels will make a finding as to the materiality. A determination shall be reported to the Board.

**C. Debt Financing. The Board of County Commissioners will establish debt financing policies to:**

1. Direct the County Manager to assemble appropriate staff to address the Board's immediate financing needs, oversee the County's investments, and to develop a long-range financing plan for the County. The County Manager and Clerk Finance Director will be advised on technical matters by the Board's financial advisor, bond counsel, disclosure counsel, or any other professional or firm necessary for the County Manager and Clerk Finance Director to exercise sound financial management of the Board's funds.
2. The County Manager in conjunction with the Clerk Finance Director and the County's financial advisor, as applicable, will:
  - a. Analyze the current debt structure, cash reserves and investments of the Board.
  - b. Develop a long-range financing plan for the Board.
  - c. Recommend and propose debt financing projects, refundings and size of the debt issues to the Board when applicable.
  - d. Develop Request For Proposals (RFP's) to obtain underwriters, bond counsel, financial advisors or other professionals necessary to conduct the committee's business.
  - e. Determine if competitive or negotiated bond sales are in the Board's best interest, and to make a recommendation to the Board on the appropriate method to be used to market County bonds.
  - f. Review the Financial Advisor's cost/benefit analysis of credit enhancements and accordingly transmit its recommendation to the Board for action.
  - g. Negotiate fees and expenses charged by the financial advisor, bond counsel, underwriting firms and other professionals or firms.
3. Ensure that capital projects financed through the issuance of debt will not be financed for a period that exceeds the useful life of the project or the life of the supporting revenue source.

4. Ensure that interest and cost will be capitalized only as relating to the construction of facilities, and will be limited to those expenses encumbered prior to the actual operation of the facility or its improvement. The County Manager, and the Clerk Finance Director and the County's Financial Advisor, Bond and Disclosure Counsels shall have sufficient time (a minimum of ten days) to analyze, review and recommend each proposal to issue bonds for the Board, the Board's Authorities or Private Activity Bonds. If ten days are insufficient to review any bond proposal, the review period may be extended.
5. Annually, and no later than 60 days after the comprehensive annual financial report is released by the County's independent auditors, staff will report on the County's debt capacity. The County report will consider, but not necessarily be limited to, the following elements in determining the County's debt capacity:
  - a. Net general long-term debt per capita annual general fund revenue.
  - b. Total general fund debt/total general fund revenue ratio.
  - c. Debt service for general fund-related debt as a percentage of general fund operating revenue.
  - d. Outstanding debt payable from the general fund as a percentage of general fund operating revenue.
  - e. Debt service for general fund-related debt as a percentage of general fund non-ad valorem revenue.
  - f. Total debt outstanding as a percentage of total taxable property values.
  - g. Rate of debt repayment.
  - h. Non-ad valorem revenue remaining unpledged after annual debt service requirements.
  - i. Annual personal income per capita.
  - j. Comparative analysis of these factors (where available) to the experience of similar Florida counties.
6. Establishes an objective for the refinancing of any bonded debt issue a present value interest savings equal to four percent (4.0%) or greater. Savings of a smaller rate may be presented to the Board for consideration when other compelling factors provide that a good business purpose exists for the refinancing.

7. The County Manager, in conjunction with the Clerk's Finance Director, will evaluate compliance with Federal Income Tax and bond arbitrage regulations on an annual basis and correct non-compliance in a timely manner.. The financial records substantiating compliance will be maintained in Clerk's Finance and the respective County Department. The County Department and County Manager will manage the capital planning program, the anticipated cost of capital and timing of financing needs to fund capital requirements. The annual financial compliance and continuing disclosure reports will be managed in the Clerk's Finance.

**D. Private Activity Revenue Bond Financing.** Inducement for Private Activity Bond financing will be considered for local and new prospective business expansion and relocation as a means to promote the diversification and expansion of the local economy, and the construction, renovation or acquisition of facilities for non-profit and community-based organizations. Private activity revenue bond financing will be subject to the following conditions:

1. Information and application requirements of the County are to be completely and accurately met. All health care, housing, educational, industrial development or similar non-governmental purpose bonds which are subject to approval by authorities, agencies or instrumentalities of Brevard County should be submitted for review to the County Manager prior to seeking Board approval. The County Manager may request such information from the proposing party as it deems necessary and shall present a recommendation to the Commission to approve the issue or decline to participate. Requests to the Board to induce industrial revenue bonds will also be forwarded to Brevard County's designated Economic Development Agency for review and recommendation.
2. Unless waived by the Board, the sponsors of private activity bonds will agree to cover staff time and costs associated with assessing the feasibility of a project by the Board's financial advisor and bond counsel before the project is submitted to the Board for final approval. In addition, such agencies will have the option of utilizing the County's independent financial advisor and bond counsel to assist such agencies in the structuring, pricing and sale of such bonds or using other such service providers. The expenses of these service providers shall be the sole responsibility of the private party on whose behalf the bonds are being issued.

3. Unless waived by the Board, the sponsors of the private activity bonds will agree to pay a fee of 1/4 of 1 percent of the bond issue. This fee is independent of all other issuance costs and will be used by the County to defray the costs it incurred as part of the issue. The fee will be deposited in the County's General Fund.
4. The Board will not consider a project consisting of land acquisition, construction, renovation and/or equipment purchases, which have begun prior to private activity bond financing approval.
5. The project must comply with all Federal, State and local laws with regard to private activity revenue bond financing eligibility. The Board will only approve financing/refinancing proposals that either economically benefit or improve health, education and welfare of citizens in Brevard County.
6. Except in unusual circumstances, the Board will give priority consideration to private activity financing to industrial or manufacturing projects which expand the local economic base and create private employment.
7. The financial pro forma for the project and corresponding economic assumptions will be reviewed and analyzed by staff to determine project feasibility before the project is approved by the Board of County Commissioners.
8. It shall not be construed or interpreted that this policy legally or fiscally obligates the Board of County Commissioners for any private activity bonds induced pursuant to this policy.
9. The County will authorize only those bonds of such agencies which shall bear a rating from a national statistical rating service of at least investment grade (such rating being generally BBB or higher); provided, however, that unrated bonds may be approved by the Commission, provided that they are sold only to institutional investors in minimum denominations of \$100,000. In the event of a sale to institutional investors of unrated securities, it shall be desirable, to the extent possible, for underwriters of such securities to obtain from such institutional investors a letter or certificate to the effect that (a) they are financially sophisticated institutional purchasers of bonds who have adequate opportunity to review the offering, that they have had access to such financial or such other information as they might have requested, and that they are satisfied with the disclosures made to them in connection with the offering and sale of such securities, and (b) that neither the County nor its agencies shall have any liability to such purchasers in relation to the offering or sale of such securities.

10. Escrow Accounts and other investment instruments for all bond issues shall be competitively bid; provided, however, that if the purchasing agency determines that it is in the best interest of the County to negotiate such purchase, the purchase of such investment instrument may be negotiated. In the event of a negotiated purchase, the purchasing agency shall submit a report to the Board of County Commissioners which sets forth (1) a description of the securities, (2) the price paid, (3) the compensation, including markup, paid to the seller of the securities, and (4) the reasons for the determination to negotiate the purchase.
11. The Bond Counsel for the party sponsoring the proposed bonds shall confirm in writing within ten days to the Clerk Finance Director that all conditions, stipulations and requirements directed by the Board of County Commissioners were met after the sale of the bonds.

**E. Short-Term/Variable Rate Financing.** "Short-term/variable rate debt" includes bank lines of credit, commercial paper, equipment leases (less than \$1M), and similar instruments which mature or have a planned reissuance within 12 months or less from the date of their initial issuance, or which bear an interest rate which is not fixed for the entire duration of the proposed indebtedness.

Short-term/variable rate financings will be considered for: (1) equipment or facilities (for example, computer or telephone systems) having a short useful life (less than 5 years), (2) capital projects having small capital outlays (between \$250,000 and \$3,000,000 or an amount which has been authorized by the Board), where the cost of issuing fixed debt is high relative to the capital needs, (3) interim financing of start-up costs of large capital projects (for example, architectural and engineering design costs), and (4) in lieu of issuing fixed rate debt when long-term, fixed interest rates are deemed too high.

In all situations, prior to the issuance of short-term debt, the staff must identify for the Board of County Commissioners the revenue source(s) reserved or obligated for the repayment of such debt and the plan for the repayment of the indebtedness, including specifically the amortization schedule of the principal and the final payment date.

**F. Revenues. The County will establish revenue policies to:**

1. Provide that the County seek out and maintain a diversified revenue system to protect it from fluctuations in any one revenue source.
2. Provide that fees and/or user fees charged in proprietary funds will be calculated at a level which will support all direct and indirect costs of operations unless otherwise waived by the Board of County Commissioners.

**G. Amending the Budget. The Board of County Commissioners authorizes the actions as listed below and for amending of the annual budget to incorporate the actions authorized:**

1. Requests for all regular budget amendments, transfers of funds or supplement budget amendments will first be reviewed by the director(s) of the requesting department, office or agency, followed by a second review by the Budget Office, prior to submission to the County Manager and/or the Board of County Commissioners, as set forth by the following provisions of this policy.
2. Intrafund transfers, interfund transfers, and line item changes greater than \$100,000 must be approved by the Board of County Commissioners.
3. The County Manager (or designee) is authorized to approve intrafund transfers, interfund transfers and line item changes that do not exceed \$100,000.
4. An Assistant County Manager (or designee) is authorized to approve intrafund transfers, interfund transfers and line item changes that do not exceed \$50,000.
5. The Budget Director (or designee) is authorized to approve intrafund transfers, interfund transfers and line item changes that do not exceed \$25,000.
6. The Budget Director (or designee) is authorized to approve administrative changes to correctly post budget activity that was approved by the Board or was approved by the County Manager as provided for by County policies and procedures.
7. All requests that change funds in reserves must be approved by the Board of County Commissioners unless said funds were accrued pursuant to previously approved Capital Improvement Plan projects.
8. The County Manager is authorized to approve State and Federal Grants where no match or financial contribution by the County is required.
9. The County Manager is authorized to accept donations, excluding real property, on behalf of the Board of County Commissioners that have a value of \$100,000 or less. The County shall not appraise gifts for income tax purposes.
10. Department/office directors are authorized to accept donations, excluding, real property, on behalf of the Board of County Commissioners that have a

value of \$35,000 or less. The County shall not appraise gifts for income tax purposes.

#### **H. Reserve Accounts.**

1. Reserve accounts will be established to provide the following:
  - a. Funding for authorized mid-year increases to adopted levels of service.
  - b. Funding for unexpected increases in the cost of providing existing levels of service.
  - c. Temporary and non-recurring funding for unexpected projects.
  - d. Funding of a local match for public or private grants.
  - e. Funding to offset losses in revenue caused by actions of other governmental bodies.
  - f. Funding to accommodate unexpected program changes and mandates from other governmental bodies.
  
2. Requests for use of funds from reserve accounts must be approved by the Board of County Commissioners unless said funds were accrued pursuant to previously approved Capital Improvement Plan projects. The County Manager may authorize the use of reserve funds for projects approved by the Board of County Commissioners within its Capital Improvement Plan. The Board will use the procedures and evaluation criteria as set forth in this policy. Unless waived by the Board, such requests will be evaluated to:
  - a. Ensure consistency with other Board policies.
  - b. Determine the urgency of the request.
  - c. Review the scope of services to be provided.
  - d. Consider the short-term and long-term financial impact of the request.
  - e. Review alternative methods of funding or providing the services.
  - f. Identify possible duplication of services with other agencies.
  - g. Identify and evaluate efforts to secure non-County funding.
  - h. Determine why funding was not sought during the normal budget cycle.
  - i. Review the impact of withholding funding or delaying funding to the next fiscal year.
  
3. It shall be the goal of the Board that the operating or unrestricted reserves for general governmental and other funds, as appropriate, be budgeted at no less than ten percent (10%) of projected operating revenues for the ensuing fiscal year.

## I. Fund Balance Accounts.

1. Fund balance accounts will be reported in the Comprehensive Annual Financial Report (CAFR) in the following manner:

- a. Restricted Fund Balance - Fund balance will be reported in the General Fund for reserves set aside for qualifying prior year constraints. Restricted 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 will be budgeted and reported as such in special revenue funds, capital project funds or debt service funds.
- b. Committed Fund Balance - Commitment of fund balance for financial statement reporting purposes may be made for such purposes including, but not limited to, a) accumulating resources pursuant to stabilization arrangements that are specific and non-recurring; b) for setting aside amounts for specific non-recurring projects; and/or c) establishing reserves for disasters, including but not limited to hurricanes, tropical storms, tsunamis, flooding, wildfires, terrorist activity and other natural or man-made disasters.

Commitment of fund balance for financial statement reporting purposes may be made from time-to time by resolution of the Board of County Commissioners. Commitments may be changed or lifted only by the Board of County Commissioners 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 approved by resolution of the Board of County Commissioners during the fiscal year.

- c. Assigned Fund Balance - Assignment of fund balance for financial statement reporting purposes 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 by budget amendment 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 the Board'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.


- d. 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.
  - e. Unassigned Fund Balance - Fund balance reported as unassigned is the residual classification for the funds and represents spendable fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.
2. The County generally 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. Unless specifically approved otherwise by the BCC, the County 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.
  3. The County will strive to maintain an unrestricted fund balance in its General Fund at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The planned fund balance shall be no less than ten percent (10%) of the general operating revenues and shall be separate from all other reserve accounts.
  4. In the event fund balance is not sufficient to maintain adequate cash flow in any County funding source, the County Manager may authorize the use of temporary loans from other agency funds to support cash flow before seeking outside short-term borrowing. The interest rate on the temporary loan will be no less than the rate of the County Consolidated Interest Earning Rate (CCIER).
  5. Provide that the County Manager will provide an update to the Board of County Commissioners on the cost and use of any temporary loans that have been authorized by the County Manager.

**J. Quarterly-Year Funding Requests from Outside Agencies. Board Intent:**

1. All requests for funding, which can legitimately be planned, should be made through the normal budget cycle.
2. The initial disposition of the Board maybe to disapprove or delay all requests made outside the normal budget cycle.
3. The financial impact on the present and future resources of the County must be disclosed for any request for funds.
4. Requests for funding during the fiscal year shall not be submitted directly to the Board but shall be referred to the County Manager for administrative review and analysis of the financial impact.

**IV. RESERVATION OF AUTHORITY**

The authority to issue and/or revise this policy is reserved for the Board of County Commissioners.




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Robin Fisher, Chair  
BOARD OF COUNTY COMMISSIONERS  
BREVARD COUNTY, FLORIDA


As approved by the Board on April 28, 2015

ATTEST:



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Scott Ellis, Clerk



# POLICY

TITLE: Budget and Financial	NUMBER: BCC-21
	CANCELS: <del>April 2</del> Dec. 17, 2013
	APPROVED: <del>Sept. 17</del> April 28, 2015, 2013
	ORIGINATOR: Budget Office
	REVIEW: April 2014 2016

## I. OBJECTIVES

- A. Provide clear direction to Staff in managing the County's finances and developing the County's Annual Operating and Capital Improvement budget.
- B. Provide sound, careful planning and long-term financial management.
- C. Raise Moody's Investment Service and Standard and Poor's current rating of Brevard County to the highest rate possible.
- D. Comply with standards set by the Government Finance Officers Association (GFOA) for budget development and financial management.

## II. DEFINITIONS and REFERENCES

**Reference:** Florida Statutes Chapters 129.06, 129.021 and 218.415; BCC Policy Number 49.

### **Definitions:**

Administrative Budget Change. Administrative change to properly align funding resources in the budget that were approved by the Board or under the County Manager approval authority.

Available Funds. Cash and equivalent units not needed for the support of day-to-day activities or the capital requirements of the County in the immediate future.

Budget. A plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing such expenditures. The "given period of time" is one fiscal year as defined below.

Budget amendment - Regular. A change resulting in an increase or decrease in the total of a fund resulting from the receipt of revenue from a source not anticipated in the adopted budget and where the appropriations are for a specific purpose related to the receipt. Any change to the total budget of an Enterprise or Proprietary Fund is also an amendment.

Budget amendment - Supplement. A change in the total of a fund whenever the increase or decrease does not meet the criteria for classification as a regular budget amendment as given above. A public hearing, after advertisement, is required for the final approval of a supplement.

Balance carried forward. Net current assets available from the prior fiscal year which are brought forward into the current fiscal year to support appropriations. Net current assets are frequently the same as unreserved fund balance.

Capital improvement plan. A five year expenditure plan for major projects costing \$35,000 or more. The financial resources which support the project expenditures are also identified in this plan.

Custodial Agreement. An agreement with a bank or financial institution for the storage of a customer's investments for safekeeping.

Debt service. The amount of money dedicated annually to repay the interest, principal and other related expenditures due on bonds, leases, and other forms of short and long-term debt.

Donations. Any monies, tangible personal property, and/or services offered for County use and control.

Fiscal year. A twelve month period to which the accounting and budget period apply. In Florida, the fiscal year for counties begins on October first and ends on September 30th of the subsequent calendar year.

Fund balance. The difference between assets and liabilities reported in a governmental fund. The Governmental Accounting Standards Board (GASB) has defined the five primary reporting fund balance categories:

1. Assigned - Includes spendable fund balance amounts established by the Board of County Commissioners that are intended to be used for specific purposes that are neither considered restricted or committed.
2. Non-spendable – Amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.

3. Committed – Amounts that can be used only for the specific purposes determined by a formal action (resolution or ordinance) of the Board of County Commissioners, the County’s highest level of decision making authority.
4. Restricted - 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.
5. Unassigned - 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 if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Intrafund transfer. A transfer of financial resources between funds or subfunds which are aggregated into a single reporting unit in the Comprehensive Annual Financial Report. In other words, a transfer between two funds of a similar type that are both part of a department or program that is reported as a discrete financial component of the County’s annual financial report.

Interfund transfer. A transfer of financial resources from one fund to another where the funds are presented as parts of separate reporting units in the Comprehensive Annual Financial Report. In other words, a transfer between two funds that are of different types or that are not part of the same department or program as reported in the County’s annual financial report.

Line-item transfer. A transfer of financial resources from one expenditure line to another that does not change the budget in a fund.

Material event. Events regarding a Brevard County bond issue, for which the County is the borrower, when such events would be considered material to a prudent investor. Material events include, but are not limited to, principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the security; modifications to the rights of security holders; bond calls; defeasance; release, substitution or sale of property securing repayment of the securities; and rating changes.

Private activity bonds. Private activity bonds are allocated by the State for private activities having a public benefit which must be induced (initiated) by a government agency.

Pro forma. A projection of future revenues, expenditures and cash flows based upon projections and estimates of underlying economic, statistical and financial factors.

Proprietary funds. A term for the accounting segregation into separate funds for the income-producing or commercial-type activities of the County that may be either enterprise or internal service funds.

Reserves. Accounts used to designate certain portions of a fund or types of net assets as being unappropriated for expenditures or as legally required to be set aside for specific purposes. There are three primary reserve categories:

1. Operating Reserves – Stabilization funds used to address cash flow integrity, temporary cash flow shortages, emergencies, unanticipated economic downturns and one-time opportunities. These stabilization funds are typically known as unrestricted reserves.
2. Restricted Reserves - A specific amount reserved in the budget in accordance with statutes or contractual obligations such as bond covenants.
3. Capital Reserves – A specific amount reserved in the budget for capital improvements or acquisitions scheduled for subsequent fiscal years.

Revenue bonds. Bonds which are repaid in principal, interest and other costs from the earnings of a proprietary fund or a specifically identified non-ad valorem revenue source.

Tangible Personal Property. All furniture, equipment, fixtures, and other property (excluding real estate or money) of a nonconsumable nature and a normal expected life of one year or more.

### III. DIRECTIVES

#### A. **Financial Planning. The County will establish financial planning practices to:**

1. Provide the foundation of good public policy which is decision-making that provides the maximum public benefit for the least amount of public investment.
2. Provide that the annual operating budget and Capital Improvement Plan (CIP) for Brevard County shall be developed by the Budget Office. The Budget Office, with assistance from operating departments/offices and information maintained by the Clerk Finance Department in the County's

accounting system, will provide estimated revenues and other financing sources in the Budget. The budget will be developed under the direction of the County Manager and adopted by the Board of County Commissioners as provided by Florida Statutes.

- a. The annual capital outlay budget shall be developed by the Budget Office in conjunction with all departments and shall be included in the annual operating budget.
  - b. The Capital Improvement Plan shall be a five-year plan for the acquisition and improvement of capital assets in all areas of County operations. This plan shall be coordinated with the annual operating budget and shall conform to the Brevard County Comprehensive Plan.
  - c. The start-up and continuing operational costs associated with the construction and implementation of capital improvement projects shall be estimated and disclosed as part of a financial impact statement before a capital improvement project is authorized and funded by the Board of County Commissioners.
3. Provide that the Board of County Commissioners in developing a budget will attempt to balance the needs of the community with the County's limited financial resources. It is the Board's policy to recognize the true cost of these needs and to reflect these needs in a realistic and financially sound budget. Provide that the County will strive to better utilize its resources through the use of productivity or efficiency enhancements and privatization whenever such enhancements are more cost effective and meet service requirements. At the same time, it shall be recognized that the costs of such enhancements should not exceed the gain in expected benefits.
  4. Provide that expenditures which support mandated programs and necessary local programs as determined by the Board of County Commissioners will be given priority over other County activities or non-mandated service programs. The source and level of funding will be determined by the Board as provided by Federal or State law.
  5. Provide that the County Manager or his designee shall be the County Budget Officer of Brevard County and will carry out the duties set forth in Chapter 129, Florida Statutes.
  6. Provide that the responsibility for the establishment and monitoring of accounting systems and custodian of the Board's funds shall lie with the Clerk Finance Department.

7. Provide that the Budget and Financial Policies shall be reviewed annually by the Board of County Commissioners prior to the budget workshops to ensure that the policies are consistent with the objectives of the Board and are applicable to current State law and financial trends.
8. Provide that the identification of all costs (indirect, direct, recurring and non-recurring costs) associated with each service; program or project shall be disclosed to the Board of County Commissioners.
9. Provide that formal budgets shall not be adopted for non-expendable trust and agency funds. Budgets are not necessary for funds of a custodial nature.
10. Provide that flexible budgets shall be adopted for the Board's proprietary funds. The adopted proprietary fund budgets shall serve as a management guide and are not intended to be all inclusive since the demand for goods and services determines the level of revenues and expenditures. Consequently, changes in amounts budgeted can be made using the budget amendment approval process.
11. Provide that the budgetary comparisons presented within the County's Comprehensive Annual Financial Report (CAFR) will be presented at the functional level within each reported fund.

**B. Accounting and Reporting. The County will establish accounting, reporting and control systems to:**

1. Ensure the Clerk Finance Department maintains accounting, reporting and control practices in conformance with the Uniform Accounting System of the State of Florida and Generally Accepted Accounting Principles (GAAP). In case of a conflict between State law and GAAP, State law shall prevail.
2. Provide that no later than 60 days after the close of each fiscal quarter, the Budget Office, utilizing information maintained in the County's accounting system by the Clerk Finance Department, will submit to the Board a Quarterly Budget and Financial Report that includes a summary of activity for all funds, departments and/or programs with variances from budgets. The County Manager will recommend corrective action when applicable.
3. Provide that the Budget Office, with assistance from operating departments/offices, will submit a Mid-year and an Annual Report to the Board for each budgeted capital project within the fiscal year no later than 60 days after the close of each fiscal quarter. The report will provide

current budget, year-to-date expenditures, progress made toward project completion, projected cash flows and any developing trend or problem.

4. Ensure the annual financial and compliance audits of the County's financial records are conducted by an independent firm of certified public accountants whose findings and opinions are published and available for public review.
5. A request for proposals (RFP) for independent auditing services shall be advertised at least no more often than every three years. This will allow for three year contracts plus renewal options, as appropriate.
6. Ensure that annually the Clerk Finance Department will seek the Government Finance Officers Association (GFOA) Certificate of Achievement in Financial Reporting, and the Budget Office will seek the GFOA's Distinguished Budget Presentation Award.
7. Florida Statutes Section 129.021 requires that all County Departments/Offices and Charter Officers submit their budgets in sufficient detail as required by the Board of County Commissioners. This shall mean that all County departments/offices and Charter Officers will submit their budgets on the forms provided by the Budget Office.
8. The Budget Office will submit a detailed list of proposed capital outlay items and equipment to be included in the annual operating budget as defined in III.A.2.a. above. This list will be reviewed and approved by the Board of County Commissioners during the public hearings on the annual Budget.
9. Board approval of the Annual Operating Budget and Capital Improvement Plan shall also serve as approval for County departments/offices to advertise formal solicitation of bids and proposals, and award the low bid for tangible items, projects and equipment when funding is available. Changes affecting the scope or mission related to award for tangible items, projects and equipment exceeding \$100,000, approved in the Annual Operating Budget and Capital Improvement Plan, shall require subsequent approval by the Board of County Commissioners.
10. Require all County department, office and agency directors who spend bond revenue for bonds issued or refinanced after July 3, 1995, to perform due diligence reviews of financial information and operating information initially presented to bond buyers in the final official statement and to report findings to the Clerk Finance Director for inclusion in the County's annual disclosure required by Code of Federal Regulation 240.15c2-12, and require all department, office and program managers to report any

potential material event for the same bond issues to the County Attorney's Office for immediate review. The County Attorney's Office will report the potential material events to the County Manager's Office, Budget Office, Clerk Finance Director and the County's financial advisor, disclosure and bond counsels. After review, the County Attorney's Office, the County Manager's Office, Budget Office, Clerk Finance Director, and the County's financial advisor, disclosure and bond counsels will make a finding as to the materiality.—A determination shall be reported to the Board.

**C. Debt Financing. The Board of County Commissioners will establish debt financing policies to:**

1. Direct the County Manager to assemble appropriate staff to address the Board's immediate financing needs, oversee the County's investments, and to develop a long-range financing plan for the County. The County Manager and Clerk Finance Director will be advised on technical matters by the Board's financial advisor, bond counsel, disclosure counsel, or any other professional or firm necessary for the County Manager and Clerk Finance Director to exercise sound financial management of the Board's funds.
2. The County Manager in conjunction with the Clerk Finance Director and the County's financial advisor, as applicable, will:
  - a. Analyze the current debt structure, cash reserves and investments of the Board.
  - b. Develop a long-range financing plan for the Board.
  - c. Recommend and propose debt financing projects, refundings and size of the debt issues to the Board when applicable.
  - d. Develop Request For Proposals (RFP's) to obtain underwriters, bond counsel, financial advisors or other professionals necessary to conduct the committee's business.
  - e. Determine if competitive or negotiated bond sales are in the Board's best interest, and to make a recommendation to the Board on the appropriate method to be used to market County bonds.
  - f. Review the Financial Advisor's cost/benefit analysis of credit enhancements and accordingly transmit its recommendation to the Board for action.
  - g. Negotiate fees and expenses charged by the financial advisor, bond counsel, underwriting firms and other professionals or firms.
3. Ensure that capital projects financed through the issuance of debt will not be financed for a period that exceeds the useful life of the project or the life of the supporting revenue source.

4. Ensure that interest and cost will be capitalized only as relating to the construction of facilities, and will be limited to those expenses encumbered prior to the actual operation of the facility or its improvement. The County Manager, and the Clerk Finance Director and the County's Financial Advisor, Bond and Disclosure Counsels shall have sufficient time (a minimum of ten days) to analyze, review and recommend each proposal to issue bonds for the Board, the Board's Authorities or Private Activity Bonds. If ten days are insufficient to review any bond proposal, the review period may be extended.
  
5. Annually, and no later than 60 days after the comprehensive annual financial report is released by the County's independent auditors, staff will report on the County's debt capacity. The County report will consider, but not necessarily be limited to, the following elements in determining the County's debt capacity:
  - a. Net general long-term debt per capita annual general fund revenue.
  - b. Total general fund debt/total general fund revenue ratio.
  - c. Debt service for general fund-related debt as a percentage of general fund operating revenue.
  - d. Outstanding debt payable from the general fund as a percentage of general fund operating revenue.
  - e. Debt service for general fund-related debt as a percentage of general fund non-ad valorem revenue.
  - f. Total debt outstanding as a percentage of total taxable property values.
  - g. Rate of debt repayment.
  - h. Non-ad valorem revenue remaining unpledged after annual debt service requirements.
  - i. Annual personal income per capita.
  - j. Comparative analysis of these factors (where available) to the experience of similar Florida counties.
  
6. ~~7.~~ Establishes an objective for the refinancing of any bonded debt issue a present value interest savings equal to four percent (4.0%) or greater. Savings of a smaller rate may be presented to the Board for consideration when other compelling factors provide that a good business purpose exists for the refinancing.

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7. The County Manager, in conjunction with the Clerk's Finance Director, will evaluate compliance with Federal Income Tax and bond arbitrage regulations on an annual basis and correct non-compliance in a timely manner. The financial records substantiating compliance will be maintained in Clerk's Finance and the respective County Department. The County Department and County Manager will manage the capital planning program, the anticipated cost of capital and timing of financing needs to fund capital requirements. The annual financial compliance and continuing disclosure reports will be managed in the Clerk's Finance.

- D. Private Activity Revenue Bond Financing.** Inducement for Private Activity Bond financing will be considered for local and new prospective business expansion and relocation as a means to promote the diversification and expansion of the local economy, and the construction, renovation or acquisition of facilities for non-profit and community-based organizations. Private activity revenue bond financing will be subject to the following conditions:
1. Information and application requirements of the County are to be completely and accurately met. All health care, housing, educational, industrial development or similar non-governmental purpose bonds which are subject to approval by authorities, agencies or instrumentalities of Brevard County should be submitted for review to the County Manager prior to seeking Board approval. The County Manager may request such information from the proposing party as it deems necessary and shall present a recommendation to the Commission to approve the issue or decline to participate. Requests to the Board to induce industrial revenue bonds will also be forwarded to Brevard County's designated Economic Development Agency for review and recommendation.
  2. Unless waived by the Board, the sponsors of private activity bonds will agree to cover staff time and costs associated with assessing the feasibility of a project by the Board's financial advisor and bond counsel before the project is submitted to the Board for final approval. In addition, such agencies will have the option of utilizing the County's independent financial advisor and bond counsel to assist such agencies in the structuring, pricing and sale of such bonds or using other such service providers. The expenses of these service providers shall be the sole responsibility of the private party on whose behalf the bonds are being issued.
  3. Unless waived by the Board, the sponsors of the private activity bonds will agree to pay a fee of 1/4 of 1 percent of the bond issue. This fee is independent of all other issuance costs and will be used by the County to

defray the costs it incurred as part of the issue. The fee will be deposited in the County's General Fund.

4. The Board will not consider a project consisting of land acquisition, construction, renovation and/or equipment purchases, which have begun prior to private activity bond financing approval.
5. The project must comply with all Federal, State and local laws with regard to private activity revenue bond financing eligibility. The Board will only approve financing/refinancing proposals that either economically benefit or improve health, education and welfare of citizens in Brevard County.
6. Except in unusual circumstances, the Board will give priority consideration to private activity financing to industrial or manufacturing projects which expand the local economic base and create private employment.
7. The financial pro forma for the project and corresponding economic assumptions will be reviewed and analyzed by staff to determine project feasibility before the project is approved by the Board of County Commissioners.
8. It shall not be construed or interpreted that this policy legally or fiscally obligates the Board of County Commissioners for any private activity bonds induced pursuant to this policy.
9. The County will authorize only those bonds of such agencies which shall bear a rating from a national statistical rating service of at least investment grade (such rating being generally BBB or higher); provided, however, that unrated bonds may be approved by the Commission, provided that they are sold only to institutional investors in minimum denominations of \$100,000. In the event of a sale to institutional investors of unrated securities, it shall be desirable, to the extent possible, for underwriters of such securities to obtain from such institutional investors a letter or certificate to the effect that (a) they are financially sophisticated institutional purchasers of bonds who have adequate opportunity to review the offering, that they have had access to such financial or such other information as they might have requested, and that they are satisfied with the disclosures made to them in connection with the offering and sale of such securities, and (b) that neither the County nor its agencies shall have any liability to such purchasers in relation to the offering or sale of such securities.
10. Escrow Accounts and other investment instruments for all bond issues shall be competitively bid; provided, however, that if the purchasing agency determines that it is in the best interest of the County to negotiate

such purchase, the purchase of such investment instrument may be negotiated. In the event of a negotiated purchase, the purchasing agency shall submit a report to the Board of County Commissioners which sets forth (1) a description of the securities, (2) the price paid, (3) the compensation, including markup, paid to the seller of the securities, and (4) the reasons for the determination to negotiate the purchase.

11. The Bond Counsel for the party sponsoring the proposed bonds shall confirm in writing within ten days to the Clerk Finance Director that all conditions, stipulations and requirements directed by the Board of County Commissioners were met after the sale of the bonds.

- E. **Short-Term/Variable Rate Financing.** “Short-term/variable rate debt” includes bank lines of credit, commercial paper, equipment leases (less than \$1M), and similar instruments which mature or have a planned reissuance within 12 months or less from the date of their initial issuance, or which bear an interest rate which is not fixed for the entire duration of the proposed indebtedness.

Short-term/variable rate financings will be considered for: (1) equipment or facilities (for example, computer or telephone systems) having a short useful life (less than 5 years), (2) capital projects having small capital outlays (between \$250,000 and \$3,000,000 or an amount which has been authorized by the Board), where the cost of issuing fixed debt is high relative to the capital needs, (3) interim financing of start-up costs of large capital projects (for example, architectural and engineering design costs), and (4) in lieu of issuing fixed rate debt when long-term, fixed interest rates are deemed too high.

In all situations, prior to the issuance of short-term debt, the staff must identify for the Board of County Commissioners the revenue source(s) reserved or obligated for the repayment of such debt and the plan for the repayment of the indebtedness, including specifically the amortization schedule of the principal and the final payment date.

- F. **Revenues. The County will establish revenue policies to:**

1. Provide that the County seek out and maintain a diversified revenue system to protect it from fluctuations in any one revenue source.
2. Provide that fees and/or user fees charged in proprietary funds will be calculated at a level which will support all direct and indirect costs of operations unless otherwise waived by the Board of County Commissioners.

- G. **Amending the Budget. The Board of County Commissioners authorizes the actions as listed below and for ~~will establish practices for the operation and~~ amending of the annual budget to incorporate the actions authorized:**

1. ~~Provide that~~ Requests for all regular budget amendments, transfers of funds or supplement budget amendments will first be reviewed by the director(s) of the requesting department, office or agency, followed by a second review by the Budget Office, prior to submission to the County Manager and/or the Board of County Commissioners, as set forth by the following provisions of this policy. Formatted: Strikethrough
  
2. ~~Provide that~~ Intrafund transfers, interfund transfers, and line item changes greater than \$100,000 must be approved by the Board of County Commissioners. Formatted: Strikethrough  
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3. ~~Provide that~~ The County Manager (or designee) is authorized to ~~may~~ approve intrafund transfers, interfund transfers and line item changes that do not exceed \$100,000. Formatted: Strikethrough  
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4. ~~Provide that the Deputy County Manager or designee may approve intrafund transfers, interfund transfers and line item changes that do not exceed \$75,000.~~
  
- 5.4. ~~Provide that the~~ An Assistant County Manager (or designee) ~~may is~~ authorized to approve intrafund transfers, interfund transfers and line item changes that do not exceed \$50,000. Formatted: Strikethrough  
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- 6.5. ~~Provide that~~ The Budget Director (or designee) ~~may is~~ authorized to approve intrafund transfers, interfund transfers and line item changes that do not exceed \$25,000. Formatted: Strikethrough  
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- 7.6. ~~Provide that~~ The Budget Director (or designee) ~~may is~~ authorized to approve administrative changes to correctly post budget activity that was approved by the Board or ~~under was approved by~~ the County Manager ~~as provided for by County policies and procedures~~ approval authority. Formatted: Strikethrough  
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- 8.7. ~~Provide that~~ All requests that change funds in reserves must be approved by the Board of County Commissioners ~~unless said funds were accrued pursuant to previously approved Capital Improvement Plan projects.~~ Formatted: Strikethrough
  
- 9.8. ~~Provide that~~ The County Manager ~~may is~~ authorized to approve State and Federal Grants where no match or financial contribution by the County is required. Formatted: Strikethrough  
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- 10.9. ~~Provide that that~~ The County Manager ~~may is~~ authorized to accept donations, excluding real property, on behalf of the Board of County Commissioners that have a value of \$100,000 or less. The County shall not appraise gifts for income tax purposes. Formatted: Strikethrough

~~11.10. Provide that Department/office directors may are authorized to accept donations, excluding, real property, on behalf of the Board of County Commissioners that have a value of \$35,000 or less. The County shall not appraise gifts for income tax purposes.~~

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#### H. Reserve Accounts.

1. Reserve accounts will be established to provide the following:
  - a. Funding for authorized mid-year increases to adopted levels of service.
  - b. Funding for unexpected increases in the cost of providing existing levels of service.
  - c. Temporary and non-recurring funding for unexpected projects.
  - d. Funding of a local match for public or private grants.
  - e. Funding to offset losses in revenue caused by actions of other governmental bodies.
  - f. Funding to accommodate unexpected program changes and mandates from other governmental bodies.
2. Requests for use of funds from reserve accounts must be approved by the Board of County Commissioners unless said funds were accrued pursuant to previously approved Capital Improvement Plan projects. The County Manager may authorize the use of reserve funds for projects approved by the Board of County Commissioners within its Capital Improvement Plan. The Board will use the procedures and evaluation criteria as set forth in this policy. Unless waived by the Board, such requests will be evaluated to:
  - a. Ensure consistency with other Board policies.
  - b. Determine the urgency of the request.
  - c. Review the scope of services to be provided.
  - d. Consider the short-term and long-term financial impact of the request.
  - e. Review alternative methods of funding or providing the services.
  - f. Identify possible duplication of services with other agencies.
  - g. Identify and evaluate efforts to secure non-County funding.
  - h. Determine why funding was not sought during the normal budget cycle.
  - i. Review the impact of withholding funding or delaying funding to the next fiscal year.
3. It shall be the goal of the Board that the operating or unrestricted reserves for general governmental and other funds, as appropriate, be budgeted at no less than ten percent (10%) of projected operating revenues for the ensuing fiscal year.

## **I. Fund Balance Accounts.**

1. Fund balance accounts will be reported in the Comprehensive Annual Financial Report (CAFR) in the following manner:
  - a. Restricted Fund Balance - Fund balance will be reported in the General Fund for reserves set aside for qualifying prior year constraints. Restricted 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 will be budgeted and reported as such in special revenue funds, capital project funds or debt service funds.
  - b. Committed Fund Balance - Commitment of fund balance for financial statement reporting purposes may be made for such purposes including, but not limited to, a) accumulating resources pursuant to stabilization arrangements that are specific and non-recurring; b) for setting aside amounts for specific non-recurring projects; and/or c) establishing reserves for disasters, including but not limited to hurricanes, tropical storms, tsunamis, flooding, wildfires, terrorist activity and other natural or man-made disasters.

Commitment of fund balance for financial statement reporting purposes may be made from time-to time by resolution of the Board of County Commissioners. Commitments may be changed or lifted only by the Board of County Commissioners 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 approved by resolution of the Board of County Commissioners during the fiscal year.

- c. Assigned Fund Balance - Assignment of fund balance for financial statement reporting purposes 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 by budget amendment 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 the Board'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.

- d. 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.
  - e. Unassigned Fund Balance - Fund balance reported as unassigned is the residual classification for the funds and represents spendable fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.
- 2. The County generally 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. Unless specifically approved otherwise by the BCC, the County 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.
  - 3. The County will strive to maintain an unrestricted fund balance in its General Fund at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The planned fund balance shall be no less than ten percent (10%) of the general operating revenues and shall be separate from all other reserve accounts.
  - 4. In the event fund balance is not sufficient to maintain adequate cash flow in any County funding source, the County Manager may authorize the use of temporary loans from other agency funds to support cash flow before seeking outside short-term borrowing. The interest rate on the temporary loan will be no less than the rate of the County Consolidated Interest Earning Rate (CCIER).
  - 5. Provide that the County Manager will provide an update to the Board of County Commissioners on the cost and use of any temporary loans that have been authorized by the County Manager.

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**J. Quarterly-Year Funding Requests from Outside Agencies. Board Intent:**

1. All requests for funding, which can legitimately be planned, should be made through the normal budget cycle.
2. The initial disposition of the Board maybe to disapprove or delay all requests made outside the normal budget cycle.
3. The financial impact on the present and future resources of the County must be disclosed for any request for funds.
4. Requests for funding during the fiscal year shall not be submitted directly to the Board but shall be referred to the County Manager for administrative review and analysis of the financial impact.

**IV. RESERVATION OF AUTHORITY**

The authority to issue and/or revise this policy is reserved for the Board of County Commissioners.

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~~Andy Anderson~~Robin Fisher, Chair  
BOARD OF COUNTY COMMISSIONERS  
BREVARD COUNTY, FLORIDA

| As approved by the Board on ~~September 17, 2013~~March 31, 2015

ATTEST:

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Scott Ellis, Clerk