

M E M O R A N D U M

To: Town Commission
From: Tom Harmer, Tom Manager
Report date: February 18, 2021
Meeting date: March 1, 2021
Subject: Resolution 2021-06, Amending the Fund Balance Policy as established by Resolution 2013-35

Recommended Action

Pass Resolution 2021-06.

Background

The Town Manager and Finance Director will be presenting the risk-based analysis and recommendations regarding General Fund Reserve Levels for a proposed amendment to the existing Fund Balance Policy at the March 1, 2021 Regular Meeting.

Following that presentation, Resolution 2021-06, amending the Fund Balance Policy will be presented for formal action, based on the recommendations made during the previous item's presentation and Commission direction.

Attached is a clean copy version of changes made to the existing Fund Balance Policy. The red-lined copy of the Fund Balance Policy is available in the Town Clerk's Office by request.

Staff Recommendation

Pass Resolution 2021-06.

Attachments

- A. Resolution 2021-06
- B. Exhibit A-Clean (Available in Town Clerk's office)
- C. Exhibit A-Red-lined Copy (Available in Town Clerk's office)

RESOLUTION 2021-06

A RESOLUTION OF THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA, ADOPTING A POLICY ENTITLED FUND BALANCE POLICY, AS AMENDED, TO PROVIDE FOR CONTINUITY OF OPERATIONS IN ADVERSE CONDITIONS AND PROVIDE FOR MITIGATION OF CURRENT AND FUTURE RISKS; PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Town Commission passed Resolution 2013-35, formally adopting a Fund Balance Policy (“Policy”) for the General Fund, in accordance with Government Finance Officers Association (“GFOA”) recommended best practices on November 4, 2013; and

WHEREAS, the Policy formalized the Town’s compliance with Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions; and

WHEREAS, the Town Commission requested a review of the Policy given the current size of our Fund Balance, the different assignments of reserves that have been previously authorized by the Town Commission, and the unfunded capital initiatives being considered; and

WHEREAS, Town staff completed thorough research using GFOA’s framework of risk assessment to determine the Town’s risk exposure; and

WHEREAS, Town staff surveyed and performed a peer review of other Fund Balance policies of other coastal communities and neighbors; and

WHEREAS, Town staff considered the comments made by S&P Global Credit Rating Agency from the Town’s most recent bond rating; and

WHEREAS, the thorough examination of the Town’s risk factors helped lead to a customized reserve target size and improved the Town’s understanding of the Town’s overall financial risk profile; and,

WHEREAS, the Town Commission understands it is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks from extreme events, natural disasters, recessions, revenue and expenditure volatility, and other risk factors; and

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

WHEREAS, the Town realized that adequate fund balance levels are an essential component of the Town’s overall financial management strategy and a key factor in external credit rating agencies’ measurement of the Town’s financial strength; and,

WHEREAS, various bond rating agencies recognize that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main

criteria: establishing a target level of reserves, or a reserve floor; specifying the appropriate circumstances for drawing down reserves, and directing the replenishment of reserves; and,

WHEREAS, the Town seeks to establish a fund balance policy that secures and maintains investment-grade credit ratings, provides adequate cash flow during natural disasters, emergencies or unanticipated expenditures, and mitigates budgetary risk associated with volatility in revenues or economic recessions; and

WHEREAS, the Town Commission finds it in the best interest of the Town and its residents to adopt this Fund Balance Policy, as amended, that is consistent with the GFOA best practices and GASB Statement No. 54.

NOW, THEREFORE, be it resolved by the Town Commission of the Town of Longboat Key, Florida, that:

SECTION 1. The above Whereas clauses are true and correct and are hereby ratified, confirmed and fully incorporated by reference.

SECTION 2. The Town of Longboat Key hereby establishes and adopts the attached Fund Balance Policy, as set forth in Exhibit A.

SECTION 3. If any section, subsection, sentence, clause, or provision of this Resolution is held invalid, the remainder of the Resolution shall not be affected.

SECTION 4. This Resolution shall become effective immediately upon adoption and applicable to the adopted budget for fiscal year beginning October 1, 2020, and ending September 30, 2021.

Passed by the Town Commission of the Town of Longboat Key, Florida on the 1st day of March, 2021.

Kenneth Schneier, Mayor

ATTEST:

Trish Shinkle, Town Clerk

End of Agenda Item