

FINANCIAL POLICIES RELATING TO FY 2021/22 BUDGET

Escambia County's FY 2021/2022 Budget has been developed using the financial policies adopted by the Board of County Commissioners and further described in this segment of the budget document and is intended to facilitate management actions on financial decisions, as well as to assist other readers of this document in understanding County finances.

The establishment of consolidated financial policies will also have the following beneficial results:

- provide a concise reference guide for consideration of County financial matters
- direct attention to overall financial condition rather than a narrow focus on single issues
- exhibit a commitment to sound financial management and fiscal integrity, establishing credibility and confidence for citizens, investors, and rating agencies
- demonstrate a compliance with applicable Florida Statutory requirements.

The financial policies on the following pages are grouped into the following categories:

I. Budget Policies

II. Revenue Policies

III. Expenditure Policies

IV. Reserve Policies

V. Debt Policies

VI. Capital Improvement Policies

I. BUDGET POLICIES:

Balanced Budget

The County's Annual Budget shall be balanced; that is, the total of the estimated receipts, including balances brought forward, shall equal the total of the appropriations and reserves (Florida Statutes, 129.01(2)(b)).

Budget Adoption

The County's Annual Budget shall be adopted by the Board of County Commissioners at a fund level.

Estimates of Receipts

The estimated receipts shall include 95% of all receipts reasonably to be anticipated from all sources, including taxes to be levied, and 100% of balance to be brought forward at the beginning of the fiscal year (Florida Statutes, 129.01(2)(b) and 200.065(2)(a).)

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Budget Transfers

Section 129.06, Florida Statutes provides that the Board of County Commissioners may establish procedures by which the designated Budget Officer may authorize certain intradepartmental budget amendments with certain exceptions, provided that the total appropriation of the departments is not changed. Pursuant to this authority and pursuant to the Home Rule authority of the Board of County Commissioners, the following procedures have been adopted.

- All requests for the approval of intradepartmental budget amendments shall be signed by the County Administrator who is the designated Budget Officer.
- All requests shall identify the funds to be transferred, the Account Title, the affected Cost Center, the appropriate Object Code, and the justification for the transfer. Each request that must be approved by the Board of County Commissioners shall include a certification by the County Administrator that the requested transfer is consistent with the functions and duties of the department involved and that need for the appropriation to be increased exceeds or outweighs the importance of the appropriation to be decreased.
- All requests for intradepartmental budget transfers shall be consistent with the provisions of Chapter 129, Florida Statutes. To that end, no budget amendment shall transfer funds encumbered by prior obligations of the department.
- Upon receipt of a request for approval of an intradepartmental budget amendment, the Office of Management and Budget shall consult the department director to determine that there are sufficient unencumbered funds to fully fund the amount to be transferred.
- Upon determination that all of the requirements of the policy have been met, the County Administrator/Budget Officer may execute his approval of the proposed intradepartmental budget amendment transfer. The approved budget amendment is then filed with the Clerk of the Circuit Court and becomes a part of the County Budget.

Notwithstanding the policy as detailed above, no budget amendment relating to the following matters shall be approved by the County Administrator/Budget Officer without prior approval of the Board of County Commissioners.

- Budget amendment requests increasing total personal services appropriated with each Department/Elected Official.
- Budget amendment requests affecting the General Fund and Transportation Trust Fund reserve for contingencies.

Budget amendment requests that involve capital items must specifically identify all such requested capital items being purchased and must indicate whether or not those items were appropriated within the annual budget process.

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New Positions

Partial year funding requests for new permanent full-time positions subsequent to approval of FY 2021/22 Budget must be specifically authorized by the Board of County Commissioners as a special or emergency need.

II. REVENUE POLICIES:

1. General Revenue Policy

Estimated revenue and fee schedules are reviewed as part of the budget process. Estimated revenue is conservatively projected (at 95% of estimate) and is updated annually.

Proposed fee increases are based upon the following:

- Fee policies applicable to each fund or activity
- The related cost of the service provided
- The impact of inflation in the provision of services
- Equity of comparable fees

2. Revenue Summaries

As part of the annual budget process, a consolidated summary of revenue sources will be prepared and incorporated into the County's budget documents.

3. Ad Valorem Taxes

The use of ad valorem tax revenues will be generally limited to the General Fund.

4. Gas Taxes

The use of gas tax revenues will be generally limited to the following funds:

Mass Transit
Transportation
FTA Capital
Road Assessment Program

5. Sales Taxes

The use of sales tax revenues will be generally limited to the following funds:

General
Local Option Sales Tax
Debt Service

6. Tourist Development Tax

The use of tourist development tax revenues will be generally limited to the Tourist Development Fund, Debt Service Fund and Bay Center operations, renewal and replacement.

7. Grants

Only such grants as can reasonably be expected to be received will be considered as revenue sources for budget development purposes. The County shall amend its budget to reflect additional grants received during the budget year.

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8. Restricted Revenues - Bonds

Revenues which have been pledged to bondholders will be restricted and shall conform in every respect to bond covenants.

9. County-wide Revenues

Revenues collected on a County-wide basis will be generally allocated only to funds which provide County-wide services.

10. User Fees

User fees, where appropriate, should be established to offset the cost of providing specific services, and will be reviewed annually.

11. Fund Balance

The amount of cash (or working capital) within a fund remaining at the close of one fiscal year, after deducting encumbrances and established reserves, which then becomes available to help finance the budget in the ensuing year. The Fund Balance Policy was established on September 27, 2011 and amended on July 22, 2021.

III. EXPENDITURE POLICIES:

1. Community Service/Outside Agencies

As part of its annual budget process, the County identifies amounts to be granted to various community service/outside agencies which provide valuable services to the County residents.

2. Grant Supported County Programs

The County conducts a variety of programs which depend on outside grants to the County for partial funding.

3. Performance Measures

The County will develop "Performance Measures" for each of its departments in order to provide criteria to use in evaluating departmental operations and requests for increased funding levels.

4. Categorization of Services

The County will segregate its budget into two distinct categories, in order to set priorities for allocating available revenues. The categories can be generally defined as follows:

Basic Services - These are services which are best performed at the County level and are most closely linked to protecting the health and safety of citizens. Legally mandated services or commitments are also included in this category.

Program Enhancements - An improvement and/or enhancement to the programmatic service level.

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IV. RESERVE POLICIES:

A formally adopted reserve policy is an important factor in maintaining the fiscal health of Escambia County. There are three primary types of reserves:

Operating Reserves
Capital Reserves
Debt Reserves

The degree of need for these reserves differ based upon the type of fund or operation involved. However, one policy statement for each type of reserve can be uniformly applied to most funds.

1. Operating Reserve

It is the goal of the County to maintain an adequate undesignated reserve of ten percent (10%) to provide a buffer against revenue shortfalls and cash flow.

2. Capital Reserves

Capital reserves are established primarily to set aside funds to provide for additional projects, or additions to existing budgeted projects, which may be deemed appropriate for funding after the annual budget is adopted.

3. Debt Reserves

Debt reserves are established to protect bondholders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds. The amount of debt reserves is established by bond indenture in association with each bond issuance.

These policy statements are intended to apply to various funds of the County. It is recognized that various federal, state, and local laws and regulations and specific financial policies, may supersede these policies.

V. DEBT POLICIES:

A formal debt policy is an important factor to insure the most efficient methods of financing are utilized by the County resulting in the lowest total cost of borrowing. It is the County's policy to use competitive bidding, whenever possible, for all debt issued by the County. The complexity of the debt issuance process varies depending on the type of financing requiring the County to employ qualified consultants (bond counsel, financial advisor, independent accountants, etc.) to assist the County in obtaining the most cost effective financing.

County staff and consultants should follow the following guidelines in structuring each debt issuance.

1. Method of Financing

The County will use a "pay as you go" policy unless internal funding is not sufficient to meet capital needs or a significant portion of the benefit of a project will be realized by future citizens.

Financing Parameters (Guidelines)

- 2.** Projects will not be financed for greater than the useful life of the improvement.

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3. Whenever economically feasible, the County will use Non-Ad Valorem Revenue, special assessment, or other self-supporting bonds instead of General Obligating Bonds.
4. The County will utilize the competitive method of sale unless one or more of the following conditions exists:
 1. Unstable market conditions which require flexibility in pricing or precise timing which would not be expected through a competitive sale.
 2. Concerns regarding credit quality and availability of credit enhancements.
 3. Security for repayment is new, unproven, or may be perceived as unreliable by the market.
 4. Innovative, complex, or unusual structuring techniques are required.
 5. Changes or anticipated changes in laws or regulations would make the prompt sale of the bonds desirable.
5. Credit enhancement will be utilized when necessary to lower total borrowing costs.
6. The County will competitively bid investment of escrow funds for advance refunding if it is expected that bids will result in lower costs and the required securities are available in the market, except when obligations are purchased directly from the Federal Government.
7. The County will include debt issuance plans in its long-term capital plan.

VI. CAPITAL IMPROVEMENT POLICIES:

1. Five-Year Program

The County will develop a five-year Capital Improvements Program (CIP) as part of each year's annual budget process, and will make all capital improvements in accordance with the adopted annual County budget. The County will identify the estimated costs and potential funding sources for each capital project before it is submitted to the Board of County Commissioners as a component of the five-year program.

2. Operating Costs

The costs of operating and maintaining all proposed projects will be identified and incorporated into five-year financial projections for operations.

3. Capital Financing

The County Administrator will determine, and recommend to the Board, the least costly financing method for all capital projects.

4. Renewal and Replacement

The County shall develop and implement a program for identifying, scheduling, and budgeting the renewal and replacement requirements of capital facilities.