

Fiscal Policies

The City of Oakland Park has adopted a comprehensive series of fiscal policies which embody recognized sound financial management concepts. It is anticipated that these policies will be amended as necessary as part of the City's annual budget process and reconfirmed each year as a part of budget development.

The fiscal policies are organized under five subject headings:

- **I. General Fiscal Policy** presents the overall guidelines for financial and accounting practices, including the basic framework for preparing the City's operating and capital budgets, maintaining accounting records, and funding services on a non-discriminatory basis.
- **II. Fiscal Policy for Operating Revenue, Expenditures, and Fund Balance/Net Assets** outlines the policies for budgeting and accounting for revenue and expenditure requirements, and providing adequate fund balance and net assets in the City's various operating funds. This section includes several references to capital project funding in relation to the amount and type of support to be provided by the operating funds.
- **III. Fiscal Policy for Investments** provides guidelines for investing operating and capital balances.
- **IV. Fiscal Policy for Capital Revenue and Expenditures, and Debt Financing** directly relates to the resources and requirements of the Capital Improvement Program. Included are overall policies on issuance of debt, as well as specific guidelines applicable to specific fund types.
- **V. Fiscal Policy for Auditor Selection Process** directly relates to the procurement of the City's required annual audit and the selection process to be utilized, including requirements as relates to the structure and duties of the auditor selection committee.

The City will normally adhere to these fiscal policies in the conduct of its operations. However, it must be noted that some elements of these policies are guidelines and not statutory limitations. Some of the policies, particularly with regard to unassigned fund balance or unrestricted net assets, are designed as goals to be pursued, not necessarily achieved on an annual or ongoing basis. The City reserves the right to deviate from any or all of the fiscal policies if such action is determined by City Commission to be in the best interest of the City inasmuch as that such any such action complies with federal, state, and local law.

I. GENERAL FISCAL POLICY

A. GENERAL GUIDELINES

1. The Annual Operating Budget of the City of Oakland Park, Florida, shall balance the public service needs of the community with the fiscal capabilities of the City. It is intended to achieve those goals and objectives established by the Commission for the next fiscal year. Service programs will represent a balance of services, but with special emphasis on the City's public safety, environmental health, and economic development. Services shall be provided on a most cost-effective basis.
2. New programs, services, or facilities shall be based on general citizen demand, need, or legislative mandate.

3. The City shall provide funding for public services on a fair and equitable basis, and shall not discriminate in providing such services on the basis of race, color, national origin, religion, sex, sexual preference, marital status, age, or disability.

SPECIFIC GUIDELINES

4. The City recognizes that its citizens deserve a commitment from the City for fiscal responsibility, and that a balanced operating budget is the cornerstone of fiscal responsibility. Operating expenditures will be fiscally balanced with revenues that can be expected to be received during the fiscal year. New programs or changes in policies that would require the expenditure of additional operating funds will be funded either through a reduction in programs of lower priority or through adjustments to rates, service charges or taxes. Requests for new or changes to programs or policy will be accompanied by an analysis of the short and long-term impact on the operational budget caused by such change or new program or policy.
5. The City will maintain adequate minimum fund balance/net assets in the City's various operating funds to provide the capacity to: a) provide sufficient cash flow for daily financial needs, b) secure and maintain investment grade bond ratings, c) provide funds for unforeseen expenditures related to emergencies. General fund will maintain fund balance categories in accordance with GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. Within the governmental funds of the City, fund balance shall be composed of Non-spendable, Restricted, Committed, Assigned, and Unassigned amounts.
 - Non-spendable fund balance consists of amounts that are not in spendable form such as inventory and prepaid items.
 - Restricted fund balance consists of amounts which can be spent only for the specific purposes stipulated by external resource providers such as creditors and grantors or imposed by law through constitutional provisions or enabling legislation.
 - Committed fund balance consists of amounts that can be used only for specific purposes determined by formal action of the Commission, the City's highest level of decision making authority, and may be changed only by the same formal action.
 - Assigned fund balance consists of amounts that the City intends to use for specific purposes that are neither restricted nor committed; the intent shall be expressed by the City Manager or the Financial Services Director.
 - Unassigned fund balance is the residual amounts available for any purpose for the General fund and includes amounts that are not contained in the other classifications.

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

6. The City shall prepare and implement a Capital Improvement Program (CIP), consistent with State requirements, which shall schedule the funding and construction of projects for a five-year period, including a one-year CIP Budget. The Capital Improvement Program shall balance the needs for improved public facilities and infrastructure, consistent with the City's Comprehensive Plan, within the fiscal capabilities of the City.

7. The City shall maintain its accounting records in accordance with generally accepted accounting principles (GAAP), applied to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
8. The City shall maintain its capital and non-capital asset records in accordance with the policy and procedures set forth by the Financial Services Director. Individual asset costing \$5,000 or more shall be capitalized. However, non-capital mobile assets costing \$1,000 or more and electronic equipment shall be tracked for inventory purposes. Asset inventory shall be performed annually to ensure the accountability of city assets.
9. Budgets and expenditures for the City shall be under Commission appropriation control at the departmental level.
10. Inter-fund loans must be supported by a fiscally sound source of funds available for repayment.
11. Preparation of the City's Budget shall be in such format as to allow correlation with the costs reported in the City's Comprehensive Annual Financial Report, with content of said Budget to include that required by City Charter, Florida Statute, or as later revised by Resolution of the City Commission. Detailed estimates shall be by account at the division or program level, and summarized and adopted at departmental level.
12. An analysis shall be made to determine the project life cycle cost of ownership where it is proposed that facilities be leased or rented, and if such cost will commit the City to \$50,000 or more in any one year.

II. FISCAL POLICY FOR OPERATING REVENUE, EXPENDITURES AND FUND BALANCE/NET ASSETS

A. GENERAL GUIDELINES

1. Revenue
 - a. Revenue projections will be based on an analysis of historical trends and reasonable assumptions made on a conservative basis of future conditions to ensure that estimates are realized.
 - b. The City will not use long-term debt to finance expenditures required for current operations.
 - c. As a general rule, operating budgets will be balanced using current year revenues to finance current year expenditures. Unassigned fund balance shall not normally be budgeted as a resource to support routine annual operating expenses. However, balances exceeding the policy targets may be budgeted as a resource to support capital, debt, or extraordinary major maintenance needs on a non-recurring basis, or for specific purposes, as designated.
2. Expenditures
 - a. Normal maintenance requirements necessary to sustain the basic asset value will be included in the expenditure budget of the proper operating fund.

- b. Contractual obligations required by labor agreements and compensation plans for employees will be included in the budget or provided for through supplemental appropriations, dependent upon available funds.
 - c. Capital will be provided for major improvements and automation of services based on multiple-year planning and appropriate cost-benefit analysis.
 - d. Future capital improvement requirements and equipment replacement will be included in operating budget plans or in the CIP. The annual amount set aside to provide reserves for future capital requirements, will be tailored to the needs of the specific operation, if not established by bond resolution, and will be above the specified fund balance or net assets.
3. Unassigned Fund Balance/ Unrestricted Net Assets
- a. Maintaining an adequate fund balance or net assets is essential to the City's financial health. The unassigned fund balance for fiscal reserve and unrestricted net assets will be considered adequate between a minimum of 20% and a maximum of 25% of the current year's operating appropriations, including transfers, for the General Fund. A minimum of 10% and a maximum of 25% of the current year's operating appropriations, including transfers, will be considered adequate unrestricted net assets for the Enterprise Operating Funds.
 - b. Amounts above those indicated in paragraph 3.a. may be assigned or committed within unassigned fund balance or unrestricted net assets for non-recurring purposes.
 - c. The balances of each fund will be maintained by using a conservative approach in estimating revenues and by ensuring expenditures do not exceed appropriations.
 - d. Any anticipated deficit of operating expenditures over revenues at year-end will be provided for in the current year's budget amendment process through fund balance/net asset appropriations.
 - e. If the General Fund Unassigned Fund Balance drops below 20%, the Manager shall develop a plan to be presented to the City Commission. The General Fund Unassigned Fund Balance replenishment to the 20% target level shall be completed within four years.
 - f. In the event that sufficient unassigned fund balance/unrestricted net asset targets are below 25%, this policy will incorporate at least the following guiding principles:
 - 1) The plan will require the subsequent budget year to balance ongoing revenues to ongoing expenditures
 - 2) Unassigned Fund Balance will not be used for operating expenditures in the subsequent budget except for a declared emergency.
 - 3) Unassigned Fund Balance may be used in subsequent budgets for capital improvements, capital equipment, and debt reduction only after reaching a minimum of the 25% level described in 3.a. above.

B. SPECIFIC GUIDELINES

1. General Fund

- a. The General Fund is the principal operating fund of the City and will account for activities not reported in another type of fund for legal or managerial reasons.
- b. The operating budget of the General Fund will be prepared based on 95% of the certified taxable value of the property tax roll and conservative estimates of other sources of General Fund revenue.
- c. Service charges and fees for all General Fund services will be analyzed to ensure an appropriate proportional recovery of direct costs and overhead.

2. Special Revenue Funds

- a. Special revenue funds will be used to account for specific revenue sources that are restricted to expenditures for specific purposes. Dedicated operations that cover only a substantial portion of their costs by user fees and charges, and therefore require ongoing operating subsidies, will be classified as special revenue funds.

3. Proprietary or enterprise Funds

- a. Proprietary funds will be used to account for those activities where the costs are expected to be funded by user fees and charges.
- b. Proprietary Funds will pay the General Fund their proportionate share of the cost of general administrative departments. Public Utilities (water and sewer), Stormwater, and Solid Waste are able to produce sufficient revenue from service charges to fully recover all direct operating costs and overhead, plus provide for debt service and major capital outlay. Initial startup of operations or specific circumstances may require an individual enterprise to be subsidized for a limited period of time; however, it is fully expected that these operations will be totally self-supporting over time and will repay any subsidy to the General Fund as revenues permit.
- c. Service charges, rent and fee structures will be established to ensure recovery of all costs.
- d. The expenditure requirements of the Proprietary Funds will include all expenses of the operations, as well as any transfers to capital project funds and debt service funds.
- e. A review of service cost and rate structures for Public Utilities (water and sewer), Stormwater and Solid Waste charges will be performed on an annual basis. The adopted budget will set forth the cost requirements to be recovered by the service charges, which will be based on the cost of services provided.

III. FISCAL POLICY FOR INVESTMENTS

A. GENERAL GUIDELINES

1. The investment of City funds shall be controlled by the City's Investment Policy and shall conform to Florida Statutes Chapters 166.261 and 218.415.
2. Sufficient operating funds are to be deposited with a Qualified Florida Public Depository. The balance of investible cash may be deposited with the investment pools of the State or the Florida League of Cities, or be invested in authorized money market funds and other investment vehicles held at other asset management firms as defined in the City investment policy.
3. Bond or loan proceeds for construction and reserve funds are to be held in a qualified financial institution or LGIP type of pool, separate from the City's operating accounts. The proceeds temporarily invested are excluded from the investment portfolio for the purpose of calculating maximum exposure per investment service provider.

IV. FISCAL POLICY FOR CAPITAL REVENUE AND EXPENDITURES AND DEBT FINANCING

A. GENERAL GUIDELINES

1. Revenue
 - a. Revenue projections for the one-year Capital Improvement Program Budget and five-year Capital Improvement Program Plan shall be based on conservative assumptions of dedicated revenue sources.
2. Expenditures
 - a. Capital projects shall be justified in relation to the City's Comprehensive Plan.
 - b. Estimated requirements for capital projects shall include all costs reasonably associated with the completion of the project.
 - c. The impact of each project on the operating revenues and expenditures of the City shall be analyzed as required by the General Fiscal Policy stated above.
 - d. Consistent with IRS regulations, debt repayment will not exceed the average life of improvements.
3. Debt Financing
 - a. Long Term Debt: Annual debt service payments may be structured to provide level cost over the life of a bond issue, unless fiscal or other constraints dictate an alternative approach. A policy of full disclosure will be followed in all financial reports and official statements for debt.
 - b. Medium Term Debt: Lease-purchase agreements, bonds, loans, or other debt instruments may be used as a medium-term (3 to 10 years) method of borrowing for the financing of vehicles,

other specialized types of equipment, or other capital improvements. The equipment or improvement must have an expected life of more than three years. The City will determine and utilize the least costly financing methods available. Such debt arrangements will be repaid within the expected life of the equipment or improvement acquired.

- c. Short Term Debt: Short-Term borrowing may be utilized for temporary funding of anticipated tax revenues; anticipated grant payments, anticipated bond proceeds, or other expected revenues. Anticipated funding is defined as an assured revenue source with the anticipated amount based on conservative estimates. Such borrowing may utilize a short-term note maturing before the end of the current appropriation period. Other short-term debt, such as tax-exempt commercial paper, bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest advantage, or delays long-term debt until market conditions are more favorable. The City will determine and utilize the least costly method for short-term borrowing. Short-term debt may be refunded in accordance with applicable Federal laws.

B. SPECIFIC GUIDELINES

1. General Capital Improvements: General capital improvements, or those improvements not related to municipally-owned enterprises, may be funded from General Fund revenues or fund balances, the sale of revenue bonds or general obligation bonds/loans, and from special revenues, special assessments and grants.
 - a. Pay-As-You-Go Capital Improvements: Pay-as-you-go capital improvements may be funded from General Fund revenues or fund balances, state and federal grants, special assessments, or other sources of revenue which may become available to the City. Major capital projects related to the delivery of general public services shall be paid from general purpose revenues. It is recognized that the allocation of funds in any given year of the program may vary significantly from these parameters due to prioritization and scheduling of projects.
 - b. Special Assessments: When special assessments are used, the interest rate charged will be established by City Commission consistent with State law.
 - c. Revenue Bond Debt Limit: Sale of revenue bonds for capital improvements will be limited to that amount which can be supported from the pledge of the specific revenue.
2. Enterprise Capital Improvements: Enterprise funds improvements may be funded from operating revenue or unrestricted net assets, the sale of revenue bonds, loans, special assessments and grants.
 - a. Pay-As-You-Go Capital Improvements: Enterprise funds may support needed capital improvements on a pay-as-you-go basis from operating revenues or from unrestricted net assets, assessments, and grants. Major capital projects related to the delivery of municipally owned enterprises will be paid from the revenue of that enterprise fund.
 - b. Special Assessments: When special assessments are used for enterprise-related improvements, the interest rate charged will be established by City Commission consistent with State law.
 - c. Revenue bond Debt Limit: Sale of revenue bonds will be limited to that amount which can be supported from user fees generated, or combination of other revenues.

V. FISCAL POLICY FOR AUDITOR SELECTION PROCESS

Section 218.39 of the Florida Statutes requires municipal governments to have an independent, external audit of their financial statements. The audit must be conducted in accordance with Government Auditing Standards and performed by an independent Certified Public Accountant. The City shall adhere to the auditor selection requirements under Section 218.391, Florida Statutes, in addition to the City purchasing and procurement policies and practices.

1. Auditor Selection Committee Composition and Appointment

- a. The Auditor Selection Committee shall consist of five (5) members collectively appointed by resolution of the City Commission. The appointment term shall end upon the external auditor contract being approved by the City Commission. The committee shall be comprised as follows:
 - i. One (1) member of the City Commission, who shall serve as the Chair of selection committee.
 - ii. Two (2) members who are residents of Oakland Park, with preference in selection given to those with accounting, bookkeeping, auditing, and related experience or credentials.
 - iii. Two (2) members who are currently employed or have been employed in the public sector with professional experience related to governmental accounting, auditing, financial reporting, budgeting, financial services, and related experience or credentials.
- b. Employees of the City of Oakland Park shall not serve as members of the Auditor Selection Committee but may serve in an advisory capacity.

2. Auditor Selection Committee Duties & Responsibilities

- a. Section 218.391(3), Florida Statutes, establishes the duties of the Auditor Selection Committee, which include:
 - i. Establishment of factors to be used for the evaluation of audit services to be provided by an audit firm.
 - ii. Public announcement of a Request For Proposal (RFP).
 - iii. Providing interested firms with the RFP.
 - iv. Evaluation of proposals provided by qualified firms.
 - v. Ranking and recommendation in order of preference of no fewer than three firms deemed to be the most highly qualified to perform the required services. If fewer than three firms respond to the RFP, the committee shall recommend such firms as it deems to be the most highly qualified.

- b. The Auditor Selection Committee is an evaluation committee of the City and members are responsible for abiding by all State requirements and City policies and practices as related to the procurement of services, such as public records, Sunshine law, etc.
- c. The Auditor Selection Committee shall be directly assisted in the fulfillment of all duties by the City's purchasing staff, who shall perform all administrative and operational work required.