

ORDINANCE NUMBER 00-

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF LEESBURG, FLORIDA; CREATING SECTIONS 2-229, 2-230, 2-231, AND 2-232 OF THE CODE OF ORDINANCES OF THE CITY OF LEESBURG, FLORIDA, TO BE ENTITLED FUND BALANCE/RETAINED EARNINGS POLICY; ESTABLISHING A FUND BALANCE/RETAINED EARNINGS POLICY FOR EACH OF ITS VARIOUS FUNDS; REPEALING CONFLICTING ORDINANCES; PROVIDING A SAVINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Commission, in and for the City of Leesburg, Florida, hereinafter referred to as Commission, endorses sound financial policies and practices; and

WHEREAS, the Commission has determined that a fund balance/retained earnings reserve policy tailored to the particular needs of the City is the most responsible way to insure against unanticipated events which would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services; and,

WHEREAS, it is essential that the Commission maintain adequate fund balances/retained earnings and reserves in its various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain investment grade (i.e. A or above) bond ratings, (3) offset significant economic downturns or revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies; and,

WHEREAS, the Commission has not heretofore had a formally adopted fund balance/retained earnings reserve policy, and desires by the means of this ordinance to finally adopt said policy;

NOW THEREFORE, BE IT ENACTED BY THE PEOPLE OF THE CITY OF LEESBURG, FLORIDA:

SECTION I

Sections 2-229, 2-230, 2-231 and 2-232 are hereby added to the Code of Ordinances of the City of Leesburg, Florida, to read as set forth below:

Section 2-229. Creation of Fund Balance/Retained Earnings Reserves.

There is hereby created, in each of the various governmental fund type (general fund, special revenue funds, debt service funds, and capital projects funds) and proprietary fund type (enterprise funds and internal service funds) funds of the City, a reservation of fund balance or retained earnings equal to the following:

- A. General Fund – In the general fund, there shall be created a reservation of fund balance equal to 20% of the current fiscal year budget for the fund. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance in September. This reserve shall be in addition to all other reserves or designations of fund balance, including but not limited to reservations for uncollected receivables and reservations of funds which have expenditure authority limited to specific purposes (i.e. proceeds from the sale or conversion of judicially forfeited properties). In any fiscal year when the City is unable to create the reservation of fund balance required by this section, the City shall not budget any amount of appropriated fund balance for the purpose of balancing the budget.
- B. Special Revenue Funds – By definition, special revenue funds are created to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes. As such, no specific reservation of fund balance is created by virtue of enactment of this ordinance, rather the amount of any reservation of fund balance shall be governed by the legal authority underlying the creation of the individual fund.
- C. Debt Service Fund – Debt service funds are typically subjected to the creation of very specific reserve amounts as a part of the ordinance or resolution which authorizes the issuance of the bonds which are being repaid. Therefore, this policy does not create any specific reservation of fund balance within the debt service fund, rather, reserve requirements for any outstanding City bond issues will be as derived from the ordinance or resolution authorizing the issuance of the bonds.
- D. Capital Projects Fund – The capital projects fund was created to account for resources (such as the local government infrastructure sales surtax) designated to construct or acquire general fixed assets and major improvements. Occasionally, these projects may extend beyond a single fiscal year. Therefore, although no specific reserve requirement is established for the capital projects fund, at a minimum, the fiscal year end unreserved, undesignated fund balance, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund all outstanding fund obligations.

- E. Enterprise Funds – The City has created a total of six enterprise funds to account for the following utility services: electric, natural gas, sanitation services, communication services, water and wastewater treatment. In each of the enterprise funds now or hereafter created by the Commission, there shall be created a reservation of retained earnings equal to 25% of the current fiscal year budget for that fund. For the purposes of this calculation, the current fiscal year budget shall be the total budget as originally adopted by ordinance in September. This budget shall be prepared on the modified accrual basis of accounting and therefore includes such items as capital outlay and operating transfers out. This reserve shall be in addition to all other reservations of retained earnings, including but not limited to amounts reserved for debt service and/or amounts reserved for renewal and replacement of long lived assets.
- F. Internal Service Funds – The City has created three internal service funds to account for motor pool services, employee health benefits coverage, and workers' compensation coverage. There is hereby created within each of the internal service funds, a reservation of retained earnings in an amount necessary to ensure that unreserved retained earnings in the fund as of the end of each fiscal year is greater than or equal to zero. This reserve shall be in addition to all other reservations of retained earnings, including but not limited to amounts reserved for claims incurred but not paid in the Health Care Coverage Fund and the Workers' Compensation Fund. By definition, internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. Consequently, these funds are generally intended to operate on a break even basis. Therefore, in any fiscal year when it is projected that the actual amount of unreserved retained earnings will be less than or equal to zero at year end, it will be necessary to either increase the rates charged or reduce expenses or both.

Section 2-230. Utilization of Surplus Reserves. In the event that the unreserved undesignated fund balance or unreserved retained earnings balance exceeds the amounts set forth above, the excess may be utilized for any lawful purpose. Nevertheless, it is recommended that first priority be given to utilizing the excess within the fund in which it was generated. In order to minimize the long term effect of such use, it is also recommended that any such excess be used to fund one time expenditures or expenses which do not result in recurring operating costs, or other one time costs including the establishment of or increase in legitimate reservations or designations of fund balance or reservations of retained earnings.

Section 2-231. Replenishment of Reserve Deficits. If, at the end of any fiscal year, the actual amount of unreserved, undesignated fund balance, or unreserved retained earnings falls below the required levels set forth herein, the City Manager shall prepare and submit a plan for expenditure or expense reductions and/or revenue increases to the City

Commission. As a part of the annual budget review, the City Commission shall review and amend the plan submitted by the City Manager for restoring the amount of unreserved, undesignated fund balance, or unreserved retained earnings to the required levels. Any deficit in the required amount must be restored no later than the end of the second fiscal year following its occurrence.

Section 2-232. Annual Review Compliance with the provisions of this ordinance shall be reviewed as a part of the annual budget adoption process.

SECTION II

If any portion of this ordinance is declared invalid or unenforceable, then to the extent it is possible to do so without destroying the overall intent and effect of this ordinance, the portion deemed invalid or unenforceable shall be severed herefrom and the remainder of this ordinance shall continue in full force and effect as if it were enacted without including the portion found to be invalid or unenforceable.

SECTION III

All ordinances or parts of ordinances which are in conflict with this ordinance are hereby repealed, to the extent necessary to alleviate the conflict, but shall continue in effect insofar as they are not in conflict herewith, unless repeal of the conflicting portion destroys the overall intent and effect of any of the conflicting ordinances, in which case those ordinances so affected shall be hereby repealed in their entirety.

SECTION IV.

This ordinance shall take effect on October 1, 2000.

PASSED AND ADOPTED at the regular meeting of the Leesburg City Commission as held on the 14th day of August, 2000.

THE CITY OF LEESBURG

By: _____
Mayor

Attest:

Thomas P. Klinker
City Clerk/Finance Director