

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**GENERAL FUND RESERVE POLICY**

**PURPOSE**

This reserve policy is adopted by the Gainesville City Commission to ensure General Government's orderly provision of services to its citizens, availability of adequate working capital, plan for contingencies, and retain the City's good standing with the rating agencies and the credit markets.

**GENERAL FUND UNDESIGNATED, UNRESERVED FUND BALANCE**

For each fiscal year, the undesignated, unreserved Fund Balance of the General Fund will be at least 8.33% (one month) of the Proposed General Fund Revenue Budget (excluding one-time appropriations from fund balance). This balance is to provide for the following:

- Budget fluctuations
- Electric Deregulation
- Unanticipated emergencies (e.g., natural disasters, public safety emergencies, capital emergencies, etc.)
- Any other financial uncertainties

**SPENDING AUTHORITY**

The General Fund undesignated, unreserved fund balance will not be used to solve recurring revenue shortfalls.

That portion of the General Fund undesignated, unreserved fund balance that exceeds the minimum required level of 8.33% may be appropriated as needed and expended. No amount of the minimum required level of the General Fund undesignated, unreserved fund balance may be expended unless it meets the purposes stated above and until appropriated by the City Commission, except as provided below for unanticipated emergencies.

In those unanticipated emergency situations which demand immediate government action in the interest of public safety and welfare, the City Manager is authorized by the City Commission to spend up to a maximum of 20% of the minimum required level of General Fund undesignated, unreserved fund balance in accordance with procedures provided in the City of Gainesville Purchasing Policies. A financial accounting related to

such emergency expenditures will be submitted to the City Commission by the City Manager as expeditiously as possible after the end of the emergency.

### **RENEWAL/REPLACEMENT OF EXPENDED RESERVES**

During the budget process, the required level of General Fund undesignated, unreserved fund balance shall be calculated by the Office of Management and Budget based on the Proposed General Fund Revenue Budget. The additional amount required each year shall be included as a line item appropriation in the General Fund Uses Budget.

Upon completion of the audited financial statements, the Finance Director will review the final year-end results. If the General Fund undesignated, unreserved fund balance falls below the required 8.33% minimum level, the shortfall, if less than five percent, will be budgeted in its entirety in the succeeding budget year.

In the case of an event that creates a differential between the required General Fund undesignated, unreserved fund balance amount and current available funds of equal to, or more than five percent, a funding plan will be developed to meet the requirements of the General Fund Reserve Policy within three years of the event.

It is the policy of the City of Gainesville that any excess General Fund undesignated, unreserved fund balance remaining after meeting financial reserve requirements may be appropriated to finance any one-time expenses, as determined by the City Commission.

### **FORMAL REVIEW**

At least every five years, a review of this reserve policy will be completed by the City Manager or designee, and recommendations for changes, if appropriate, will be submitted to the City Commission.

### **THIS POLICY TO CONTROL**

This policy supersedes and replaces all previous General Fund reserve policies for General Government, which are hereby rescinded.

**General Fund Reserve Policy Sample Calculation**

<b>Part I - Initial OMB Calculation for Budget Preparation</b>	FY2005 Budget	Reserve Calc.	FY2006 Plan	Reserve Calc.
Proposed General Fund Revenue Budget - FY2005 & FY2006	\$ 81,138,737		\$ 85,079,794	
Required Undesignated, Unreserved Fund Balance of 8.33%		6,758,857		7,087,147
Proposed General Fund Revenue Budget - FY2004 & FY2005	77,609,403		81,138,737	-
8.33% of Proposed Revenue Budget - Previous Fiscal Year		6,464,863		6,758,857
FY2005 & FY2006 Appropriation Required to Meet Required Level		<u>\$ 293,994</u>		<u>\$ 328,290</u>

**Part II - Verification by Finance Director - Shortfall less than 5%**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 6,744,693
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	14,164
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Shortfall
Shortfall Less than 5%?	Yes
Additional Appropriation required in FY2006 Budget	<u>\$ 14,164</u>
Additional Appropriation required in FY2007 Budget	<u>\$ -</u>
Additional Appropriation required in FY2008 Budget	<u>\$ -</u>

*Note: Any amounts calculated in Parts II and III are the result of year-end deficits and will be appropriations required in addition to the amount calculated in Part I.*

**Part III - Verification by Finance Director - Shortfall greater than 5%**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 6,042,333
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	716,524
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Shortfall
Shortfall Less than 5%?	No
Additional Appropriation required in FY2006 Budget	<u>\$ 238,841</u>
Additional Appropriation required in FY2007 Budget	<u>\$ 238,841</u>
Additional Appropriation required in FY2008 Budget	<u>\$ 238,841</u>

**Part IV - Verification by Finance Director - Excess Fund Balance**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 7,150,225
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	391,368 Available for One-time Appropriation
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Excess

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**GENERAL INSURANCE FUND RESERVE POLICY**

**PURPOSE**

This policy is adopted by the Gainesville City Commission to ensure that sufficient current assets are available in this Fund to cover:

- Current liabilities
- Contingent liabilities associated with the self-insured Worker's Compensation and Third Party Liability programs, including those claims incurred but not reported as valued by the Fund's actuary
- Unanticipated insurance events, including but not limited to storms or catastrophic property losses
- Externally imposed legal reserves
- Encumbrances

**POLICY**

The General Insurance Fund will maintain fiscal year-end current assets equal to the current liabilities plus the reserves for SFCC Police Officers Training Program Insurance and for encumbrances. Also, actuarially determined contingent liabilities will be expensed as they are identified.

The status of the current assets to adequately meet the above goal will be determined by the Finance Director at the end of the fiscal year utilizing the audited financial statements and most recent actuarial valuation.

**SPENDING AUTHORITY**

In cases of unanticipated insurance events, the City Manager is authorized by the City Commission to spend up to a maximum of 20% of the current assets in accordance with the City's Purchasing Policies. A financial accounting of such spending will be submitted to the City Commission by the City Manager through the quarterly monitoring report prepared for the Audit and Finance Committee.

## **RENEWAL/REPLACEMENT CURRENT ASSETS**

The original increase in current assets required due to the adoption of this policy will be accomplished by the end of Fiscal Year 2010.

Once the original reserve levels have been met, any future increases in current assets due to an actuarial review of the self-insurance program will be funded over the next three fiscal years.

In those cases where current assets are drawn down due to an unanticipated insurance event, the assets will be replenished over the next three fiscal years.

## **POLICY IMPLEMENTATION AND AMENDMENTS**

This reserve policy has been adopted by the Gainesville City Commission. Any amendments to this policy must be similarly approved by the Commission. The Risk Management Director, as designated by the City Manager, is responsible for implementing the policies set forth in this document and for maintaining proper oversight to ensure compliance with this debt management policy.

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**BUDGET ADMINISTRATION POLICY**

**GENERAL PRINCIPLES**

The budget is the primary financial planning tool for the City. It is used to set forth the City's estimates of resources available to fund services and to specify the way in which those resources will be applied.

Like any plan, the budget must be carefully monitored as the year progresses so that material variances are identified and corrective action taken. Further, since no plan will prove to be an absolutely accurate prediction of future events, management must have sufficient flexibility to make adjustments during the year that do not materially alter the general intent of the City Commission when adopting the budget.

This Policy is intended to provide flexibility, to establish adequate controls through budget monitoring and periodic reporting, and to ensure that the overall distribution of resources achieves the results contemplated by the City Commission.

**ROLES AND RESPONSIBILITIES**

**CITY COMMISSION**

The City Commission establishes policies regarding service levels and priorities that provide guidance to management in preparing the recommended budget. Through its legislative authority to approve and adopt the budget, the Commission ensures that the budget reflects those policies. It also reviews budget compliance and approves budget amendments throughout the year.

**AUDIT AND FINANCE COMMITTEE**

The Audit and Finance Committee acts on behalf of the Commission to review budget monitoring reports and recommended amendatory budget ordinances throughout the year to ensure compliance with the adopted budget and City Commission policies.

**ADVISORY BOARDS AND COMMITTEES**

Advisory Boards and Committees render advice to the City Commission and management regarding the establishment of service level priorities and must submit annual work plans that outline any budgetary requests for City Commission consideration.

**CITY MANAGER**

The City Manager is responsible for proposing to the City Commission a balanced budget that is consistent with established service level priorities and sound business practices, and for establishing a system for the preparation, execution, and control of the budget that provides reasonable assurance that the intent of this policy is met.

**CITY AUDITOR**

The City Auditor provides assurance to the City Commission, through the expression of a professional opinion, that the projected General Fund revenues adopted by the budget resolution and/or ordinance are within reasonable parameters.

**CITY ATTORNEY**

The City Attorney is responsible for preparing the budget ordinance in a form consistent with all legal requirements.

**CLERK OF THE COMMISSION**

The Clerk is responsible for maintaining records of all City Commission proceedings relating to the budget, including all documents filed as part of those proceedings.

**STATEMENT OF POLICY****1. GENERAL**

This Policy is intended to require that systematic procedures be used in the development, review, adoption, monitoring, and revision of the budget, and to set forth the general nature of those procedures. The City Manager shall establish, maintain and revise such detailed procedures as appropriate.

**2. BUDGET CALENDAR**

A budget calendar shall be provided to the City Commission each year at the beginning of the budget process. The calendar shall set forth, at a minimum, dates for the following:

- Review, discussion, and adoption of service level priorities by the City Commission
- Submission of work plans and funding requests by advisory boards and committees
- Presentation of the City Manager's proposed budget to the Commission, which shall be no later than the end of the first week in July, except in the second year of the biennial budget
- Actions of the City Commission required by law

### **3. FORM AND CONTENT OF THE CITY MANAGER'S PROPOSED BUDGET**

The City Manager's proposed budget shall be presented in a form which is sufficient to allow the City Commission to review:

- Projected revenues by major category within and across all funds
- Operating expenditures and disbursements by fund, department and program
- Staffing levels
- Summary of all personnel changes (new positions, reclassifications, etc.) with assigned job titles
- Capital improvement expenditures by project

Comparisons with the preceding year's actual results and current year's projected results shall be provided for each category of revenue and expenditure shown in the budget. The Proposed and Adopted Financial and Operating Plan shall include a description of the service levels to be provided, a statement of changes to the service levels as compared to the current year, and accompanying departmental performance measures under the proposed budget and a five-year General Fund financial forecast.

### **4. ADOPTION OF THE BUDGET**

The budget shall be prepared on a biennial basis, and the City Commission shall adopt the budget, in the form and on the schedule required by Florida Statutes.

### **5. BUDGET AUTHORITY OF THE CITY MANAGER**

The City Manager shall have the authority to amend appropriations within and among the various departments and projects within a fund, except the Law Enforcement Contraband Forfeiture Trust Funds, consistent with legal requirements, in order to achieve the general objectives contemplated in fund level budgets.

Interfund transfers (except for short-term loans and their settlements) and intrafund transfers within the Law Enforcement Contraband Forfeiture Trust Funds require prior approval of the City Commission. No expenditures may be made from the undesignated, unreserved fund balance of a fund or from City Commission Contingency without an appropriation by the City Commission except as authorized in the General Fund Reserve Policy and in specific purpose funds.

In those cases where a fund is established for a specific purpose (e.g., Downtown Parking Garage Construction Fund), the City Manager shall have the authority to expend available but unappropriated revenues recognized in the fund (e.g., interest income, donations, etc.) to accomplish the specific purpose for which the fund was created. These revenues and expenditures will be incorporated in a subsequent amendatory budget resolution and/or ordinance.

The City Manager shall have the authority to reasonably deviate from the budgeted personnel schedule, within the parameters set forth in Personnel Policy No. 3. But, at



no time will the number of permanent, full-time employees authorized by the City Commission in the adopted budget be exceeded without City Commission approval.

#### **6. BUDGET AMENDMENTS BY THE CITY COMMISSION**

The City Commission may from time to time approve amendments to the adopted budget. All budget amendments approved during the year must be balanced and adopted in a manner consistent with Florida Statutes.

#### **7. BUDGET AMENDMENTS DUE TO ADVISORY BOARD OR COMMITTEE RECOMMENDATIONS**

Advisory Boards and Committees (e.g., Pension Advisory Boards) that make recommendations which mandate expenditures of dollars (for all operating funds, including the General Fund) outside of the budget process will be required to submit a fiscal impact analysis to the full City Commission for review with their recommendation. The analysis will identify the budgetary impact for all funds affected by their recommendation.

#### **8. AUTOMATIC ADJUSTMENTS AND REAPPROPRIATIONS**

- Outstanding encumbrances – the new year’s budget will automatically be adjusted to incorporate the encumbrances carried forward from the prior year.
- Unfinished multiple year projects – the unfinished multiple year project budget will automatically be reappropriated.

#### **9. BUDGET MONITORING AND REPORTING**

The City Manager shall prepare and submit to the Audit and Finance Committee, a quarterly budget compliance report in substantially the same form as the final budget document, for all major operating funds, including the status of General Fund fund balance. With the report, the City Manager shall provide recommendations to the Committee regarding any action that should be taken by the City Commission to amend the budget. The Audit and Finance Committee shall report its recommendations to the City Commission on matters of this kind.

#### **THIS POLICY TO CONTROL**

This policy supersedes and replaces all previous budget policies adopted by the City Commission, which are hereby rescinded.

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**DEBT MANAGEMENT POLICY**

**OVERVIEW**

This debt management policy is adopted by the Gainesville City Commission to assist the government in meeting its goals and objectives by contributing to the ongoing financial health and stability of the organization. It facilitates access to the debt markets to meet both scheduled and unscheduled needs, assists the organization in controlling the types and levels of outstanding obligations, and provides a framework within which each potential issuance can be evaluated.

This debt management policy establishes parameters for issuing debt and managing a debt portfolio that encompass existing legal, economic, financial and capital market conditions, the City's capital improvement needs, and its ability to repay financial obligations as they become due. The policy:

- Guides the City in policy and debt issuance decisions
- Assists the City in maintenance, acquisition and replacement of appropriate capital assets for present and future needs
- Promotes sound financial management
- Enhances the City's credit rating

**PURPOSES FOR DEBT ISSUANCE**

The City may issue debt for the purposes of:

- constructing or acquiring capital improvements
- making major renovations to existing capital improvements as defined in the City's Capital Improvement Plan
- acquiring land
- refunding outstanding debt when feasible and desirable
- generating a net economic benefit for the City

The City has a Capital Improvement Plan that is adopted by the City Commission as part of the City's biennial budget process. Projects included in the Capital Improvement Plan incorporate the priorities and needs identified in the Capital Improvement Element of the City's Comprehensive Plan. To the extent practicable, debt will not be authorized by the City Commission for the purpose of funding capital projects unless those projects are included in the Capital Improvement Plan.

## **DEBT STRUCTURE**

### **TERM**

Debt issued to finance capital improvements will be amortized over the lesser of the estimated useful life of the improvements or 30 years, taking into account the City's overall debt structure at the time of issue.

### **CAPITALIZED INTEREST**

In some instances certain financings may require the use of capitalized interest from the issuance date until the City has beneficial use and/or occupancy of the financed project. Interest will not be funded (capitalized) beyond three years.

### **DEBT SERVICE STRUCTURE**

Debt will be structured to achieve the lowest possible net cost to the City given market conditions and the urgency of the capital project. Generally, debt repayments shall be structured to achieve relatively level debt service. To the extent possible, the repayment schedule should permit rapid recapture of the City's credit capacity for future use. Absent a compelling economic or policy reason to the contrary, the City will structure its payment streams to repay 50 percent of its outstanding principal within 10 years.

### **USE OF DEBT SERVICE FUNDS**

Separate and distinct debt service funds will be used to account for the annual debt service related to each individual debt issuance. The City will establish a debt service reserve when economically feasible or when required by bond covenants.

### **CALL PROVISIONS**

In general, the City's securities will include a call feature, which is no later than 10 years from the date of delivery of the bonds. The City will avoid the issuance of non-callable bonds absent an evaluation with respect to the value versus the cost of the call option.

### **FIXED VERSES VARIABLE DEBT**

The City will, whenever possible, maintain a mix of fixed and variable rate instruments to facilitate asset/liability management. The City will use a target ratio between 20% and 30% variable rate debt, with a maximum of 30%.

### **DERIVATIVE STRUCTURES**

Interest rate swaps, caps, collars, and other financial products can be effective tools to hedge interest rate risk, reduce financing costs, or manage the City's asset/liability profile. The City may use such instruments or similar or successor types when such utilization will result in a comparative borrowing or financial advantage and potential risks can be quantified and are acceptable. Use of hedging instruments would be appropriate to achieve any of the following results:

- To achieve savings as compared to a traditional debt structure available in the bond market
- To achieve diversification within a particular debt offering or across the debt portfolio

- To reduce net interest expense within prudent risk guidelines
- To hedge risk in the context of a particular financing or within the overall asset/liability management structure of the City
- To incur variable rate exposure
- To achieve more flexibility in meeting overall financial objectives than can be produced in conventional markets

The following stipulations will be observed when utilizing derivative instruments:

- Swap counterparties must have at least a A rating from a nationally recognized rating agency at the time of entering into the relevant instrument
- The swap term will be no longer than necessary to achieve the hedging purpose for which it was designed
- The Finance Director shall be responsible for negotiating, monitoring and annually reporting the impact of changing market conditions on variable rate instruments
- The value of derivative instruments will be marked-to-market on at least a quarterly basis
- Derivative products will not be employed on a speculative basis or in the absence of a valid public or municipal purpose

This policy is not intended to apply to “investments in derivative products” within the scope of Florida Statutes, Section 218.415, but rather is intended to apply with respect to derivative products in circumstances outside the scope of that statute.

## **DEBT LIMITATIONS**

Absent a compelling economic or policy reason to the contrary, the City of Gainesville’s total outstanding debt service (principal and interest) will not exceed the lesser of the following:

- 10% of the City’s taxable property value, or
- \$3,000 in per capita total outstanding debt service, or
- Per capita debt (principal only) will not exceed 6% of per capita income.

Absent a compelling economic reason to the contrary (including but not limited to the issuance of Pension Obligation Bonds), annual debt service is limited to 15% of budgeted General Fund revenues.

These restrictions will be tested prior to any new debt issuance and will be based on the most recent available data. Any deviations from the criteria for compelling reasons will be fully documented.

## **TYPES OF DEBT**

### **LONG-TERM DEBT**

The City may issue long-term debt for capital improvements that are not to be financed from available sources or in such cases where it is more equitable to finance such improvements over their useful lives. Absent specific legislative authority, long-term borrowing will not be used to finance current operations or normal maintenance. The City may issue either revenue debt or general obligation debt for such capital improvements. Projects funded as part of the operating budget and infrastructure that receive a majority of funding from fees and charges are generally not appropriate for general obligation bond issuance.

### **SHORT-TERM DEBT**

The City may utilize short-term borrowing for capital improvement projects or to fund anticipated cash flow needs due to the timing of the receipt of anticipated revenues such as ad-valorem tax collections from the County. Permissible short-term instruments include tax anticipation notes, bond anticipation notes, and revenue anticipation notes.

### **STATE REVOLVING FUND PROGRAM**

This program provides funds for projects involving, among other programs, stormwater control. When feasible, the City may utilize this program since the costs associated with issuing these bonds are low and the City can benefit from the strength of the state's credit.

### **INTERFUND BORROWING**

Interfund borrowing to finance capital projects will be approved on a case-by-case basis as appropriate and is subject to approval by the City Commission.

### **TAX INCREMENT FUND FINANCING**

The City may in conjunction with the Community Redevelopment Agency issue debt to fund improvement projects in Tax Increment Fund districts.

### **LEASE OBLIGATIONS**

The City may enter into lease agreements for buildings, land, or any other purpose when financially feasible.

### **CREDIT QUALITY AND CREDIT ENHANCEMENTS**

The City's debt management activities will be managed to receive the highest credit ratings possible, consistent with the City's management and financing objectives. The City shall strive to maintain a rating equivalent to an "A" or better from one or more of the major rating agencies. The City will notify the rating agencies immediately of any material change in the City's financial condition.

The City will consider the use of rating or credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Generally, credit enhancements, which include bond or swap insurance, letters of credit, etc. will be used

only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.

## **DEBT REFUNDINGS**

City staff and advisors will undertake periodic reviews of all outstanding debt to identify refunding opportunities. Within federal tax law constraints, refunding will be considered if and when:

- there is a net economic benefit from the refunding
- when the refunding is necessary in order to modernize covenants essential to operations and management or
- to remove burdensome or detrimental covenants.

In general, outstanding debt may be refunded as long as the net present value savings is equal to or greater than 3% of the refunded obligation's par amount. Refundings that require the payment of additional amounts (negative savings issues) will not be considered unless there is a compelling public policy or legal objective for the issue.

## **DISCLOSURE**

The City complies with all requirements of related federal and state securities laws, rules and regulations, including Securities and Exchange Commission Rule 15c 2-12. To this end, the City will provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments as well as ongoing secondary market information.

## **METHODS OF ISSUANCE**

The City determines on a case-by-case basis whether to sell its bonds competitively or through negotiation.

### **COMPETITIVE SALE**

In a competitive sale, the City's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.

### **NEGOTIATED SALE**

The City recognizes that in some instances securities are best sold through negotiation. In consideration of a negotiated sale, the City will assess the following characteristics of the issue:

- Does the structure require a strong pre-marketing effort such as a complex transaction or a "story" bond?
- Does the size of the issue limit the number of potential bidders?