

## **CHAPTER FOUR BUDGET POLICY**

### **4.01 INTENT:**

It is the intent of this Chapter to set forth the policy by which the County develops, implements, and administers its operating and capital budgets. The financial integrity of the County is of the utmost importance. Osceola County's budget is adopted in accordance with State and Federal laws. This Chapter is also intended to provide guidelines to those offices, departments and agencies that are involved with the County budget. The County Manager, as the designated County Budget Officer, with the assistance of the Office of Management & Budget (OMB), is responsible for the implementation of this Chapter.

The authority to issue and/or revise these Policies is reserved for the Board of County Commissioners of the Osceola County, and through the County Commissioners' direction, the County Manager. These Policies cannot conflict with relevant Florida Statutes, and a change to the Statutes may dictate an amendment to this Chapter.

### **4.02 STATUTORY REQUIREMENTS:**

The process of developing, adopting and amending the budget shall be governed by the provisions of Chapters 129 and 200, Florida Statutes, as now or hereafter amended, and such other legislation as may hereinafter be enacted.

### **4.03 BUDGET DEVELOPEMENT:**

#### **A. Budget Structure:**

The operating budget shall serve as the annual financial plan for the County. It serves as a tool for implementing the County Commissioners' goals and objectives. The budget shall provide staff the resources necessary to meet service levels determined by the Board of County Commissioners. The adopted annual budget is a balanced budget with projected revenues equal to expenditures. No budget may be adopted unless that is the case.

The budget covers an annual period termed a "fiscal year". The Osceola County's fiscal year begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>. The fiscal year that begins on October 1, 2010 is referred to as Fiscal Year 2011 or FY11. The annual budget is proposed by the County Manager and adopted by the County Commissioners. Although budgets are legally controlled (the level at which expenditures may not legally exceed appropriations) at the fund level, management control of the operating budget is additionally maintained at the department/category level.

The type of accounting the County utilizes has an impact on how and when items should be budgeted. The County operates under the governmental fund accounting method that uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when earned. Expenditures are recognized when incurred. Principal and interest on general long-term debt differ from other expenditures in that they are recorded when due.

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1. Osceola County Funds: The County's finances are accounted for in accordance with Generally Accepted Accounting Principles (GAAP). The accounts of the County are organized and operated on the basis of funds. Fund accounting segregates resources according to their intended purpose and is used to aid management in compliance and budget management. Each fund is balanced. The County's funds are budgeted as follows:

Governmental Fund Types: Account for general governmental activities as follows:

*000 General Fund* – all county revenues and expenditures not required to be accounted for in a different fund, most countywide activities.

*100 Special Revenue Funds* – resources received from special sources, dedicated or restricted to specific purposes.

*200 Debt Service Funds* – accumulate resources for, and the payment of, interest, principal and other costs of debt.

*300 Capital Projects Funds* – accumulation and use of resources for the acquisition of major buildings and other capital facilities where a specific project is designated or required.

Proprietary Fund Types: Account for external and internal business-type activities provided on a basis consistent with private enterprise as follows:

*400 Enterprise Funds* – services are similar to those provided by private enterprise and whose costs are paid by user charges.

*500 Internal Service Funds* – provision of essential services by one division to other divisions on a break-even cost reimbursement basis rather than from commercial suppliers.

2. Osceola County Chart of Accounts: The State of Florida Uniform Accounting System Manual guides the classification/budgeting of accounts to designate, fund, department/division, activity and other related information. The County's current Chart of Accounts utilizes a 17-digit account number (000.0000.000.0000000) to categorize or "group" accounting transactions.

### **B. Budget Preparation:**

Annually, OMB will distribute budget preparation information specific to the new fiscal year. The County's annual budget shall be prepared in a line-item detail format. A summary budget presentation will be submitted at a public hearing for discussion and review by the County Commission and the public in accordance with the Florida Statutes.

1. Budget Calendar: *Florida Statute Chapter 200.065* Truth In Millage (TRIM) Compliance establishes the budget process and the time limits under which a budget must be developed. Although the budget process is

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subject to change by the Florida Legislature, each year Osceola County follows the procedures outlined below to establish its annual budget and comply fully with the State Statutes:

- By July 1, the County receives from the Property Appraiser the Certificates of Taxable Value (DR-420) that are used to establish the County's rolled-back millage rates and proposed operating millage rates.
  - Within 15 days of certification of value, the County Manager sends a tentative budget to the Board of County Commissioners.
  - During July, the County Commissioners review the proposed County-wide budget during County Commissioners-Administration-Staff workshop sessions as presented by the County Manager and OMB.
  - On or before August 4<sup>th</sup> (within 35 days of certification of value), the County must establish the current year proposed millage rates, current year rolled-back millage rates, and the date, time and place for the tentative budget hearing.
  - Within 80 days of certification of value, but not earlier than 65 days (September 3<sup>rd</sup> to 18<sup>th</sup>), the tentative budget hearing is held by the County Commissioners to adopt the tentative millage rate, announce the percent, if any, it exceeds the Rolled-back Rate, and the tentative budget.  
Note: County budget hearings cannot occur on the same day as the Osceola County School Board's budget hearing. Hearings held Monday through Friday must begin after 5:00pm. Hearings may be held on Saturdays but never on Sundays.
  - Within 15 days following the tentative budget hearing, the County must advertise its intent to adopt a final millage rate and budget.
  - Within 100 days of certification of value, but not earlier than 97 days (not before September 18<sup>th</sup>), the final budget hearing is held to adopt a final millage rate and final budget. The hearing date must be not less than 2 days or more than 5 days after the day that the advertisement mentioned above is first published.
  - Within 3 days of the final hearing, the resolutions adopting the final millage rate shall be forwarded to the Property Appraiser's Office and the Tax Collector's Office.
  - Within 3 days of receipt of Certifications of Final Taxable Value (DR-422), the County will complete and certify the final millage rates to the Property Appraiser.
  - Within 30 days following the final millage and budget adoption, the TRIM Compliance package will be submitted to the State of Florida's TRIM Compliance Section.
2. Preparation Responsibility: The actual preparation of the budget document is primarily the responsibility of OMB under the direction of the County Manager. Each department/division, however, prepares and submits to the County Manager a recommended line item budget for their respective area(s). Upon receipt of the proposed budgets, the County

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Manager, OMB and the Administrators shall meet and refine these requests into a balanced budget proposal. The County Manager will present the proposed operating budget to the County Commissioners in a Board meeting by July 15<sup>th</sup> of each year. During July and August, adjustments are prepared by OMB. The changes can be the result of a variety of reasons such as fluctuations in revenue estimates, changes to programs, and direction from the Board. The County Commissioners will adopt a balanced budget no later than September 30<sup>th</sup> of each year.

3. Revenue Budget: Revenues are to be estimated realistically and those considered unpredictable should be budgeted conservatively. Revenues actually received will be compared to projected revenues. While OMB will provide oversight and must concur, each department/division is responsible for providing its respective revenue projections, including grants, and special revenue funds generated within its activities and/or functions.
  - a. Revenue Collections: The manner in which different revenues are received varies throughout the year and from one type of revenue to another and must be considered when projecting revenues for the new fiscal year. Some revenues are subject to cyclical variations based on the performance of the economy (sales tax, tourist development tax, etc.) or usage (tolls), so collections may vary from month to month based on the level of activity within that month. As such, the County will specifically consider the following when budgeting for revenues:
    - Maintain a property tax rate to fund the desired level of service.
    - Maintain a diversified and stable revenue base to mitigate the effects of short-term fluctuations in any one revenue source.
    - Interest earned from investment of available monies shall be distributed to the funds in accordance with the cash balance of the funds from which monies were invested.
    - Rate structures for Enterprise Funds and Internal Service Funds shall be adequate to ensure that these funds remain firmly and separately self-supporting, including all costs of operation.
    - Special Revenue and Proprietary Funds shall reimburse the General Fund for administrative costs.
    - Grant revenues shall be spent solely for the purpose(s) intended.
    - One-time or non-recurring revenues are not used to finance ongoing operations. Non-recurring revenues are to be used to fund one-time or non-recurring expenditures such as capital needs.
  - b. Special Assessments: Also called non-ad valorem assessments, the County has a number of Special Assessments that are approved through the budget process but separately from the millage rates.

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Special Assessments collected through property tax bills must follow the process outlined in F.S. 197.363. Proper notice of the proposed rate must be provided to impacted citizens. A Resolution imposing the assessment, the method of collection and amount must be approved through a public hearing.

- c. Annual Fee Resolution: On an annual basis, the County will review all fees and charges. This is to ensure that the fees are providing adequate coverage of costs and/or services and, where applicable, remain competitive with similar fees of surrounding communities or other providers. OMB will compile all fees into the Resolution for submittal to the Board, but each department/division is responsible for providing its respective fee schedule(s). While a part of the budget process, the annual Fee Resolution should be submitted to the Board early in the budget preparation process to allow for incorporating the adopted rates into the budget.
4. Operating Expenditure Budget: The amount budgeted for operating expenditures is a function of the activities performed. There are two primary categories for the Operating Budget – Personal Services and Operating. The County utilizes a modified form of zero based budgeting. Rather than incrementally increasing the prior year’s budget, new requests are evaluated based on actual need and the desired level of service. Past expenditures are also analyzed and the continuation of some costs challenged. There are some specifics that should be considered when budgeting expenditures such as the following:
    - Maintain a level of service which will provide, to the extent reasonable and practicable, for the public health, safety and welfare of the residents of the community.
    - Support operating expenditures by ongoing operating revenues.
    - Maintain expenditure categories according to State administrative regulations.
    - Parallel and adjust services to the County’s inelastic revenue sources in order to maintain the highest level of service. During periods of economic upturn, long-term expansion of core services will be related to the anticipated increase of those sources.
- a. Personal Services: Determining personnel requirements is a key step in formulating budgetary estimates as costs constitute a large portion of the total budget. Evaluation of current positions may result in changes to the positions. Requests for new positions should be made through the budget process and coordinated through Human Resources to ensure countywide consistency.

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- **Cost of Living Adjustments:** Included in the annual budget, the Board may provide for a cost of living adjustment to ensure that pay ranges remain competitive with the marketplace due to increases in the Consumer Price Index.
  - **Merit Increases:** The Board may also adjust pay annually via a merit increase in accordance with the County's Personnel Policies.
  - **Insurances:** Premiums for employee related insurances will be charged to participating Constitutional Officers and departments in accordance with the County's Personnel Policies. Premium rates and costs will be evaluated annually through the budget process and budgeted accordingly.
  - **Organizational Chart:** The budget authorizes a number of Full Time Equivalent (FTE) positions that the Board has deemed necessary to support the desired level of service. As part of the annual budget adoption process, an organizational chart for the coming fiscal year will be submitted for approval.
- b. Operating Expenses: Operating expenses are also a key component of the budget. The County does not practice incremental budgeting (percent increase over the prior year). Cost guidelines for selected accounts such as utility costs, fuel, etc. will be provided through the budget process whenever possible. The guidelines will be developed in partnership with external entities and departments responsible for the delivery of the service.
- c. Cost Allocation: In accordance with GAAP, a cost allocation plan will identify an administrative fee to be charged to Special Revenue Funds and Proprietary Funds. The fee will reimburse the General Fund for costs incurred due to support services. Whenever feasible, a new plan / fee structure will be established annually.
5. Capital Budget: The annual budget will attempt to provide for adequate replacement of capital assets. All requests for the acquisition of or addition to capital assets should be budgeted as capital in accordance with the Florida Administrative Code, 69I-72.007. If the item exceeds \$25,000 and has a useful life of more than 10 years, it will also be included in the Capital Improvement Program (CIP). In addition to the requested non-CIP items, the first year of the CIP is included in the annual budget.

A budget for a capital project shall be a project-length budget. Upon approval by the Board, the project's appropriation shall continue in force and be reserved for that purpose, until the purpose for which it was approved has been accomplished or abandoned. At the end of the fiscal year, the unspent appropriation of an approved capital project shall be

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carried forward to the subsequent fiscal year(s) until the project is completed.

6. Reserves: It is the County's policy to maintain an adequate level of unreserved and undesignated funds, also called operating reserves. Operating reserves may be used at the County's discretion to address emergencies, unanticipated economic downturns, unfunded mandates and one-time capital expenditures.

Except for those funds with separate requirements, it is the County's goal to appropriate a minimum reserve of 20% of the fund's total "Operating Budget" (personal services and operating) plus "Transfers Out". The maximum operating reserves will be 25% per fund. The calculation of operating expenditures plus transfers will equal operating (unrestricted, undesignated) reserves.

Board approval is required prior to the use of any reserved funds per Florida Statutes. Maintaining an adequate reserve level is important for sound fiscal management. Additionally, it is a critical factor considered by bond rating agencies in relation to the County's credit rating.

- a. Reserves for Cash: In accordance with State Statutes 129.01(c)2, the reserve for cash balance may not exceed 20% of the total receipts and balances of the budget. The primary purpose of this reserve fund is to ensure adequate resources for operating purposes at the beginning of the fiscal year. The reserve also helps to protect the County in the event it must respond to a natural or man-made disaster. This appropriation may also be considered to fund one-time capital outlay, but shall not be used to support ongoing operating expenses.
- If a fund's primary revenue source is either ad valorem taxes or non-ad valorem assessments (General Fund, Library Fund, Countywide Fire Fund, etc.) the Reserve for Cash shall be a minimum of 2 months operating budget plus transfers. Environmental Lands, the neighborhood serving Municipal Service Taxing Units (MSTUs)/Municipal Service Benefit Units (MSBUs) may be exempted from this requirement on an individual basis. The determination will be made on sound management practice by OMB.
  - Special Revenue Funds revenues are legally restricted for specific purposes. With the exception of those mentioned above, the reserve shall be budgeted in accordance with the authority underlying the creation of the individual fund and sound management practice.

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- Debt Service Funds are subjected to the creation of a very specific reserve amount as a part of the Bond Covenants. Therefore, the amount to be appropriated must adhere to these requirements and will be budgeted in an account called “Reserve – Restricted” as these funds are restricted for this purpose.
  - Capital Projects Funds were created to account for resources designated to construct or acquire fixed assets and major improvements. Capital projects often extend beyond a single fiscal year. Therefore, the cash balance, coupled with the estimated revenues for the new fiscal year, shall be sufficient to fund the total appropriation, to include all outstanding projects and obligations.
  - Enterprise Funds shall appropriate a Reserve for Cash that is a minimum of 2 months operating budget plus transfers. These reserves shall be in addition to all other reserves including, but not limited to, reserves for contingencies, reserves for landfill closure costs, reserves for debt service and/or reserves for capital. Any approved, third-party agreements must be complied with as well.
  - Internal Service Funds are intended to break even; however, an amount should be carried over to ensure that unreserved retained earnings in the fund is greater than or equal to zero. As a result, the income or loss of an internal service fund isn’t managed through a reserve account, but can be disposed of by crediting (in the current or next fiscal year) or charging the billed departments in accordance with their actual usage. This does not apply to the amounts reserved for claims incurred but not paid.
- b. Reserves for Contingencies: In accordance with Section 129.01(c)1, Florida Statutes, the contingency may not exceed 10% of the total budget. The contingency is commonly known as the emergency reserve. Through Board approval, this appropriation can be utilized to fund one-time emergencies, unanticipated expenditure requirements or offset unanticipated revenue fluctuations occurring within a fiscal year. The amount appropriated per fund shall be in an amount needed to maintain the undesignated, unreserved policy mentioned above and as deemed appropriate by the County Manager.
- c. Reserves for Capital: In the event that the unreserved, undesignated reserve balance exceeds the amount set forth in this policy, the excess will be transferred to Reserves for Capital. The goal will be to fund future infrastructure. This only pertains to items and/or projects that are listed within the CIP.
- d. Reserves for Health Insurance: Recent history has shown that insurance costs for the County are escalating at a rate beyond normal revenue growth. Once an appropriate claim level has been

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reserved for the Health Insurance Internal Service Fund, it is the intent of the Osceola County to establish a reserve account within the fund which will assist in offsetting the increasing cost of the County's share of employees' health insurance. The reserve will be funded via reserving excess revenues to the fund as determined by the County's independent annual audit. The interest earned will then be a revenue source for the fund that can reduce the County's budgetary impact of health insurance increases from year to year.

- e. Replenishment of Reserves: If the reserves are less than the required amounts per this policy, the County Manager shall submit a plan for expenditure reductions and/or revenue increases to the Board. In addition, the Board shall review and amend the plan as a part of the annual budget review. The Reserve for Cash must be replenished no later than the end of the second year after its occurrence.

- 7. Constitutional Offices: Pursuant to the provisions of Section 129.03(2), Florida Statutes, the Board has resolved and directed that the Sheriff and Supervisor of Elections shall submit their proposed budget requests to the County's Budget Officer by May 1 of each year.

The Clerk of the Circuit Court is a fee based entity that per F.S. 28.36 submits its budget to the Florida Clerk of Courts. In the absence of the resolution specified in Section 145.022, Florida Statutes, the Tax Collector and Property Appraiser currently operate their respective offices on a fee basis. As such, their budget submissions are governed by Section 195.087, Florida Statutes.

Pursuant to the provisions of Section 29.008(2)(c)2., Florida Statutes, the Board has resolved and directed the Chief Judge to submit to the Budget Officer a budget request for local requirements and the reasonable and necessary salaries, costs and expenses for each local requirement on or before May 1 of each year.

### **4.04 Budget Execution and Amendments:**

The County's operating budget is a dynamic document. The need for corrections, additions and deletions is anticipated. The mechanisms for adjustments to the adopted budget are provided for in F.S. 129.06(2). In addition, as the County Budget Officer, overall accountability for the budget rests with the County Manager and the Office of Management and Budget.

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### A. Budget Execution:

While the Budget Officer has overall accountability for the budget, budgetary control and accountability rests at the department/division level with oversight by OMB and the Comptroller's Office. Administrators have the responsibility to manage their budgets.

1. Annual Budget Report: The annual budget report shall be sufficiently detailed to identify all available funds and adopted appropriations. The format will include sources of revenues, expenditures, and any estimated remaining funds at year end. The budget report for the new fiscal year shall be distributed and available to all interested parties.
2. Budget Authority vs. Cash Receipts: The adopted budget and current cash resources are not the same thing. As the financial plan for the next fiscal year the adopted budget represents the County's legal authority to spend. An appropriation may be further limited by the actual cash on hand as the County can only spend available cash and liquid assets to actually spend, encumber, and/or contract funds.
3. Category Budgeting: While the legal level of control is at the fund level, management control is at the departmental/category level. The State of Florida's Uniform Accounting System Manual establishes the method for numbering accounts. Category levels are defined in accordance with the Manual as follows:
  - a. Personal Services: Expenditures for salaries, wages and related employee benefits provided for all County employees which includes full-time, part-time and seasonal employees. Benefits include employer contributions to the Florida Retirement System, social security, insurance, and similar direct benefits. It also covers such costs as worker's compensation and unemployment compensation.
  - b. Operating: Expenditures include all costs to provide goods and services which primarily benefit the current period and are not defined as personal services or capital outlay.
  - c. Capital Outlay: Expenditures for property as currently, or hereafter amended, defined in Florida Administrative Code 69I-72.007 as all tangible personal property, owned by a governmental unit, of a non-consumable nature. Outlays for the acquisition of or addition to fixed assets.

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- d. Debt Service: Expenditures necessary for the payment of principal, interest and related costs of borrowed funds. Funds may be borrowed for Capital Outlay only.
- e. Grants and Aids: Includes all grants, subsidies, and contributions to other government entities and private organizations.
- f. Other Uses: Includes interfund transfers, reserve and contingency accounts. Transfers are used to move funds from one fund to another without the intent of reimbursement. Transfers will be made according to either prescribed formulas or legal requirements upon the availability of unrestricted fund balances. All transfers must represent a legally authorized use of the revenues from which the funds are transferred.

Funds expended, contracted or liability incurred may not exceed the budgeted appropriation for all categories within a fund. In addition, in accordance with the management level of control, a department's category should not exceed its appropriation. If these categories are negative, appropriate corrective action shall be taken. The only exception to this is if the category exceeds the appropriation during year end accounting adjustments or entries that are initiated by the Comptroller's Office. In this instance, the County may choose not to correct the negative as long as the fund is not negative.

Individual capital projects with negative appropriations within Capital Outlay should be corrected even if the capital category is positive. If a capital project requires additional funding, the need should be justified to the County Manager and an appropriate transfer made.

- 4. Financial Reporting & Budget Monitoring: The County will maintain a budgetary control system. OMB and the Comptroller's Office will compare actual revenues received versus expenditures. Revenue monitoring will be conducted to ensure that collection efforts are aggressively pursued and any shortfalls in revenues are quickly recognized and reconciled. Reports will also be provided to Administrators and Managers to assist in monitoring their budget.

### **B. Budget Amendments:**

A budget amendment is a revision to the adopted budget. According to Section 129.06(2) of the Florida Statutes, the Board may amend the budget any time within the fiscal year and up to 60 days after the fiscal year. The same Section of the Florida Statutes identifies how such amendments may occur as detailed next.

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1. Budget Transfers: In accordance with F.S. 129.06(2)(a), the BOCC designated Budget Officer may authorize intradepartmental budget transfers provided that the total appropriation of the department is not changed. For the purposes of clarification, this type of amendment will be referred to as a budget transfer. This distinction should assist in recognizing when Board approval is required.

A budget transfer is the movement of appropriations from one account to another within the same department and fund. It does not impact the total appropriation of the department's approved budget. This is merely a "shifting" of funds within the department.

2. Budget Amendments: Budget amendments will always require Board approval. By approved Resolution and motion recorded in the minutes, the budget may be amended by the Board without public hearing/advertisement for the following reasons:
  - a. Appropriation for expenditures may be decreased and other appropriations increased as long as it is within the same fund;
  - b. Appropriations from the reserve for contingencies to increase or create an appropriation for any lawful purpose within the same fund;
  - c. Appropriations from reserve for future construction/improvements for the purposes for which the reserve was made;
  - d. Appropriate receipts from a source not anticipated in the budget that are received for a specific purpose including, but not limited to, grants, donations, gifts or reimbursement for damages, and the corresponding expenditure for the particular purpose;
  - e. Appropriate increase revenues for an enterprise or proprietary fund received for a particular purpose and the corresponding expenditure for that purpose.

All other amendments to the budget for purposes not specifically authorized in Section 129.06(2) (a) – (e), Florida Statutes are required to be adopted by a Resolution of the Board in a properly advertised (at least 2 days, but not more than 5 days) public hearing. The advertisement must appear in a newspaper of general circulation, identify the taxing authority, identify the date, place and time of the hearing, identify each budgetary fund to be amended, the source and use of funds and the total amount of each budget.

3. Accounting Adjustments: Accounting adjustments are adjusting entries in accordance with GAAP. Such adjusting transactions may be requested by departments, initiated directly by the Comptroller's Office, and/or a part of the end of the fiscal year in preparation for the annual independent audit.

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If the adjusting entry creates a need for a budget adjustment, OMB will assist.

4. Carry-forwards: In general, unexpended appropriations lapse at fiscal year end and revert to the respective fund. Some projects are eligible to have remaining funds re-appropriated in the new fiscal year. Each department shall assist OMB in identifying any potential carry-forwards within their cost centers. Capital outlay and professional services, that are contracted and procured as independent professional assistance, are eligible to have the remaining appropriation carried forward into the new fiscal year. In addition, actual cash receipts that are restricted for specific purposes such as donations, grant funds, etc. will continue for that purpose.

Unexpended receipts will be recognized as revenue through the Fund Balance account. The recognition of carry forwards into the new fiscal year's budget will occur as follows:

- a) Appropriations for Board approved capital projects shall continue in force and are automatically re-appropriated until the purpose for which it was approved is accomplished or abandoned. The purpose shall be deemed abandoned if three years pass without any disbursement or encumbrance of the appropriation unless presented to the Board for reconsideration.

Said funds are considered committed and reserved for that purpose thus remaining amounts are automatically re-appropriated. An internal process will document the appropriations remaining from year to year. If the project amount is being increased, however, the project must be brought back before the Board for consideration of the additional request.

- b) Appropriations for grants where the actual revenue has been received shall also continue in force until the purpose has been accomplished, all funds expended and the grant agreement fully satisfied. This includes any required County match as stipulated in the approved grant agreement.

Said funds are considered committed and reserved for that purpose thus remaining amounts are automatically re-appropriated. An internal process will document the appropriations remaining from year to year. If the grant/project amount is being increased, however, the project must be brought back before the Board for consideration of the additional request.

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- c) All other funds that are eligible to be carried forward will be approved by the Board through a properly advertised budget amendment after the prior fiscal year has closed for further entry.
- d) The timing of the formal re-appropriation budget amendment may at times conflict with the County's operating requirements (such as with carryforwards). In these instances, an override may be authorized by the County Manager, but only if all encumbrances are verified by both the Comptroller and OMB to ensure the available balance of funds.

In general operating expenditures are not eligible to be carried forward. Any requests for exceptions must be provided by the department in writing and approved by the Comptroller's Office and OMB. Departments should also liquidate encumbrances for completed projects.

- 5. Re-budgeted Requests: As stated above, operating expenditures are typically not eligible to be carried forward. Departments will be required to request a new appropriation for operating expenses through the proposed budget process. This includes any Professional Services that have not been contracted or procured. If not committed, the appropriation will be treated as any other operating expenditure and expire at year end reverting to the fund in which it originated.
- 6. Capital Substitution: Requests for capital are submitted through the budget process. It is recognized that emergencies or changes in requirements may necessitate a different capital need be addressed. Administrators will have the ability to request a capital substitution in this case. Additional Board approval will not be required if all Procurement Policies are met, purchase price is within the County Manager's signature authority, and additional funds, if needed, can be transferred within the department. If one of the criteria is unable to be met, the request will require Board approval.

### **4.04 Capital Improvement Program (CIP):**

The Capital Improvement Program (CIP) is a five-year program for the County's major capital projects which is reviewed and revised annually. The CIP represents a framework for planning for the replacement of existing capital equipment and facilities and for major investments in acquiring and building new public facilities. The CIP links the County's comprehensive plan and fiscal budget to physical development. It provides a mechanism for estimating capital requirements, scheduling projects with appropriate planning and implementation, budgeting high priority projects, coordinating the activities of various departments and monitoring/evaluating the progress of capital projects undertaken.

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### A. **CIP Structure:**

The County will include all capital improvements that qualify in an adopted five-year CIP which will be updated annually. The Florida Administrative Code 69I-72.007 and Comptroller's Office should be consulted if there is difficulty in determining if an item is an operating request, capital request, and CIP request.

1. Capital Assets: The classification of items as capital expenditures is also based on cost and life expectancy. Capital expenses are relatively expensive, usually don't recur annually, tend to last a long time, and result in fixed assets. Some criteria to consider are as follows:
  - ➊ Substantially increase the useful life of the asset;
  - ➋ Substantially enhance the quality of service;
  - ➌ Significantly improve the efficiency of the existing services; and
  - ➍ Preserve a previous capital investment made by the County;
2. CIP Requests: CIP items have a useful life of at least ten years and a cost of \$25,000 or more and include new, replacement, or upgraded items/projects, construction, and/or land purchases. In general, the CIP does not include multiple purchase requests, i.e. a number of items with a unit cost of less than \$25,000 but an aggregate cost of more than \$25,000. CIP examples are new physical infrastructure improvements which are relatively large and expensive or large-scale rehabilitation, replacement, or expansion of existing facilities; major pieces of equipment which are expensive and have a relatively long period of usefulness; and/or the acquisition of land for a County facility.

### B. **CIP Preparation:**

A CIP lists each proposed capital project, the year it is expected to be started, the amount expected to be expended in each year of the program, the proposed method of financing, and the priority for each project. Once adopted, the CIP allows the public to be informed about future capital plans of the community.

1. CIP Process: The CIP is prepared annually from project requests submitted to OMB by the various departments. All CIP requests for vehicles are prepared through Fleet and all requests for technology related items are prepared through Information Technology. Likewise, projects that will be the responsibility of Building Maintenance are prepared through General Services. After careful analysis, projects approved for submittal are presented to the County Commissioners for adoption. The adopted program is then used by the County in the development of the annual capital budget which becomes effective October 1st of each year.
  - a) Preparation Timetable: Approved annually, the goal is to submit for approval prior to the budget process. This then serves as a planning document for the budget process which begins in April. The CIP will be approved by Resolution of the Board. The

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adoption schedule must also provide adequate time so that the CIE components may be included into the Comprehensive Plan update.

b) Preparation Responsibility: The actual preparation of the CIP document is primarily the responsibility of OMB under the direction of the County Manager. However, it is the responsibility of each department to update current CIP requests and submit any new requests. Conducting the final review of the proposed CIP before submission to the County Commissioners is the responsibility of the County Manager. The County Commissioners review, provide input, feedback, etc. and adopt the five-year CIP in a timely manner so that it may be used for preparation of the County's annual budget.

2. Funding Capital Projects: The capital budget and CIP is only as accurate as the financing plan. The number of public improvements that can be financed generally depends on the level of recurring future operating expenditures and potential sources of additional revenue available for CIP financing. In general, it is the County's policy to maximize its resources by securing debt to pay for capital improvements. The County shall finance qualifying CIP projects using established criteria.

a) Debt Financed: As detailed in the Debt Management Policy, certain projects are recommended for debt financing (including but not limited to the issuance of bonds, commercial paper or capital leases). This shall include design costs for projects even when the costs occur in an earlier year.

b) Projects Financed through Bond Proceeds: After the decision is made to finance a project with bond proceeds, there are many steps that are required to secure the debt. During this time, the project often needs to commence. When this occurs, the following steps should be taken:

- **Reimbursement Resolution**: A Reimbursement Resolution allows the County to advance funds for a capital project and reimburse said expenditures later from the proceeds of tax-exempt bonds. The Resolution is approved by the Board of County Commissioners and should be presented as soon as it is determined that a project will be funded through bond proceeds. Once it is adopted, the County can reimburse itself for costs incurred during the sixty (60) day period preceding adoption and until the bonds are sold.

This requirement does not apply to preliminary expenditures, such as architectural, soil testing, engineering, surveying, bond issuance

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and similar costs incurred prior to acquisition or construction. The preliminary expenditures cannot exceed 20% of the proceeds of the bonds issued for the project.

The reimbursement bonds must be issued within eighteen (18) months after the expenditure is made or the date the project is complete, but in no event later than three years after the expenditure is made.

- **Budget for Bond Proceeds:** Once the County has begun the process of pursuing bond proceeds, a budget may be established under certain conditions. The budget must be established in a new fund that is “locked” for entry by the Comptroller’s Office until actual revenue is received. A transfer may be done from an appropriate account to allow the project to proceed as long as the Reimbursement Resolution for the project has been adopted by the Board. This will ensure that the transferring fund is reimbursed once the bond proceeds are received.
- **Tracking Bond Projects:** As part of the bond process, the County provides a list of projects to be undertaken through the proceeds, which may include a general statement allowing other eligible capital projects. This allows for other projects to be undertaken if there are funds remaining after the initial Project List has been completed. The Project List is kept by OMB.

When this occurs, the desired new projects must be evaluated for compliance with the Bond Covenants as well as any relevant State Statutes/Federal guidelines. The project must be a Board approved capital project. In addition, the County Attorney, Comptroller and OMB need to be in agreement that the project is eligible. The Project List must be amended to include the new project(s).

- c) Capital Reserve Financed: Purchases financed by savings from annual appropriations over a period of time, recurring or not, are recommended for capital reserve financing as established in the Debt Management Policy. Capital reserves can be established for a specific item or a type of item.
- d) Existing Funds Financed: After the CIP projects are submitted and compiled, any items that can be financed with existing funds shall be identified. Existing funds could be any funds available from savings from another project or other source of funds, including any excess undesignated reserve balances. If bond proceeds are to be used, the item has to meet the useful life criteria for the remaining years of amortization of the bond proceeds used.

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3. Capital Improvement Element (CIE) and the Comprehensive Plan: Within the CIP are projects that are considered Capital Improvement Element (CIE) projects. In order to meet the designation of a CIE, the improvement must be needed to ensure that Level of Service (LOS) standards as adopted in the County's Comprehensive Plan, or applicable State Statute, are achieved and maintained for concurrency related facilities located within the Osceola County. This may include LOS standards that reduce existing deficiencies and need to be corrected or to meet future growth needs in Osceola County.

Designating a CIP project as also being a CIE has a budgetary impact as the CIE schedule must be financially feasible. All current and future State Statutes related to this component must be adhered to.

### **C. CIP Evaluation and Amendment:**

As a five-year program, the CIP will require all those who are involved with capital expenditures to plan ahead beyond the following year's budget and project future needs. Tied to the vision of the County Commissioners, a CIP focuses on the future and identifies what the County will need to be viable over the next five years.

Throughout the year, the CIP should be evaluated. The CIP can improve the County's opportunity for obtaining federal and state grants that may be used for planning, constructing, and financing needed capital improvements. Often when requesting funding for a project, the grant application requires a copy of the County's adopted CIP identifying the inclusion of the project.

If the project is not included in the CIP, the plan will need to be amended. In addition, emergencies or changing priorities may require adjustments to the CIP. The CIP may be amended during the fiscal year through an approved Resolution by the Board.