

**ORDINANCE 2011-11**

**AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF LAKE WALES, FLORIDA, AMENDING CHAPTER 2, ARTICLE V OF THE LAKE WALES CODE, ESTABLISHING RULES FOR ADMINISTRATION AND USE OF THE FUNDS IN EMERGENCY SINKING ACCOUNTS; SPECIFICALLY SUPERSEDING RESOLUTION 2008-11; PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE DATE.**

**SECTION 1:** Chapter 2, Article V, Division 2, Establishing Rules for Administration and Use of the Funds in Emergency Sinking Accounts, Lake Wales Code of Ordinances, is created to read as follows:

**Sec. 2-550 Definitions.**

For the purpose of this division the following words, terms or phrases shall have the meaning ascribed to them in this section unless the context clearly indicates otherwise:

***Emergency Sinking Account.*** Checking, saving and/or investments accounts.

***Operating Expenditures.*** Appropriated financial resources necessary for the operational costs, excluding (a) capital expenditures, (b) debt service, (c) depreciation/amortization, and (d) transfers to other funds.

***Non-discretionary Spending.*** Spending that is required by a contract or other commitment.

**Sec. 2-551 Creation of Reserve Accounts.**

There is hereby created, in each of the various governmental fund types (general fund, special revenue funds, debt service funds, and capital projects funds) and proprietary fund type (enterprise funds) of the City, reserve accounts equal to the following:

- 1. *General Fund - Emergency Sinking Account*** - In the general fund, there shall be created an emergency sinking account with a lower limit of 15% and an upper limit of 20% of General Fund operating expenditures calculated based on the original adopted fiscal year budget. The purposes of the sinking account shall be:

- (a) To advance the funds necessary to pay for non-discretionary expenses such as payroll and insurance premiums that must be paid during the first quarter of the fiscal year and that will be reimbursed when ad valorem revenues are received; and
  - (b) To advance the funds necessary to pay for construction of grant-funded projects that will be reimbursed by federal or state agencies; and
  - (c) To advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies; and
  - (d) To mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable tax rates.
- 2. 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 committed to expenditure for specified purposes. As such, no specific reservation of funds is created by virtue of enactment of this ordinance; rather the amount of any reservation of funds shall be governed by the legal authority underlying the commitment.
- 3. Debt Service Fund** - Debt service funds are typically subjected to the creation of very specific committed amounts as a part of the ordinance or resolution which authorizes the issuance of the debt instrument which is being repaid. Therefore, this policy does not create any specific reservation of funds within the debt service fund; rather, reserve requirements for any outstanding City debt instruments will be as derived from the ordinance or resolution authorizing the issuance of the debt.
- 4. Capital Projects Fund** - The capital projects fund was created to account for financial resources to be used for the acquisition and construction of major capital facilities and improvements. Occasionally, these projects may extend beyond a single fiscal year. At a minimum at fiscal year-end committed funds, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund all outstanding fund obligations.
- 5. Utility System - Emergency Sinking Account** - In the utility system fund, there shall be created an emergency sinking account with a lower limit of 15% and an upper limit of 20% of utility system operating expenses based on the original adopted fiscal year budget. The purposes of the sinking account shall be:
- (a) To advance the funds necessary to pay for construction of grant-funded projects that will be reimbursed by federal or state agencies; and
  - (b) To advance financial resources necessary for responding to emergencies

that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies; and

- (c) To mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable fee structure.

**Section 2-552. Surplus.** In the event the emergency sinking account balance exceeds the amounts set forth within the upper limit the surplus may be utilized for any lawful purpose. The following priorities are recommended:

1. Reduction or avoidance of debt. If there is short-term debt within the fund the surplus may be applied to reduce or eliminate the debt if financial analysis proves this to be advantageous for the City.
2. One-time capital needs. Since a surplus does not represent a recurring source of revenue it should not be used to fund a recurring expense; however, if a one-time capital expenditure has been identified, but is not already funded through an appropriation, the surplus may be appropriated for this use.
3. Tax, fee, or rate stabilization. Surplus funds may be designed for stabilization in order to avoid raising taxes, fees, or rates related to a fund in subsequent years.

**Section 2-553. Shortfall.** If it is determined there is a shortfall (an amount below the lower limit of the sinking account range), the sinking account balance is to be rebuilt through the following mechanism:

An appropriation during the next annual budget process of at least 10% of the lower limit of the sinking account range until the lower limit has been reached. If this is financially infeasible, a written plan shall be forwarded by the City Manager to the Commission for approval in order to restore the sinking account balance to an amount within the range within a reasonable time frame. The plan may require reduction of services, increases in taxes, fees, or rates, or some combination thereof.

**SECTION 2:** If any clause, section or provision of this ordinance pursuant to this ordinance shall be declared unconstitutional or invalid for any reason or cause, the remaining portion of said ordinance shall be in full force and effect and be valid as if such invalid portion thereof had not been incorporated herein.

**SECTION 3:** All ordinance or parts of ordinances in conflict herewith are hereby repealed.

