

VILLAGE OF ESTERO, FLORIDA

ORDINANCE NO. 2019 – 01

AN ORDINANCE OF THE VILLAGE COUNCIL OF THE VILLAGE OF ESTERO, FLORIDA, ADOPTING A RESERVE POLICY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, it is essential for the Village of Estero to maintain sufficient levels of reserve funds to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates; and

WHEREAS, the adoption of a Reserve Policy by the Village of Estero will assist in ensuring the fiscal well-being of the Village by establishing a minimum level at which reserves are to be maintained, as well as the mechanisms by which the policy may be amended, which are critical to the continued operation of services.

NOW, THEREFORE, be it ordained by the Village Council of the Village of Estero, Florida:

Section 1. The Reserve Policy is hereby adopted as outlined on Attachment A, which attachment shall only be amended by supermajority approval of a duly noticed Ordinance amendment.

Section 2. This Ordinance and attached policy may only be repealed or amended by an ordinance approved by a supermajority vote of the entire Village Council.

Section 3. This Ordinance shall be effective immediately upon adoption.

PASSED on first reading this 5th day of December, 2018.

PASSED AND ADOPTED BY THE VILLAGE COUNCIL of the Village of Estero, Florida this 9th day of January, 2019.

Attest:

VILLAGE OF ESTERO, FLORIDA

By: Kathy Hall, MMC, Village Clerk

By: James R. Boesch, Mayor

Reviewed for legal sufficiency:

By: Burt Saunders, Esq., Village Attorney

		AYE	NAY
46	Vote:		
47	Mayor Boesch	<u>✓</u>	<u> </u>
48	Vice Mayor Ribble	<u>✓</u>	<u> </u>
49	Councilmember Batos	<u>✓</u>	<u> </u>
50	Councilmember Errington	<u>✓</u>	<u> </u>
51	Councilmember Levitan	<u>✓</u>	<u> </u>
52	Councilmember McLain	<u>✓</u>	<u> </u>
53	Councilmember Wilson	<u>✓</u>	<u> </u>
54			
55	Attachment A: Reserve Policy		

**ATTACHMENT A TO ORDINANCE NO. 2019-01
VILLAGE OF ESTERO
RESERVE POLICY**

The Village hereby establishes and shall maintain a Reserve Policy.

The adoption of a Reserve Policy by the Village of Estero will assist in ensuring the fiscal well-being of the Village by establishing a minimum level at which reserves are to be maintained or increased, as well as the mechanisms by which the policy may be amended, which are critical to the continued delivery of services to citizens of and the visitors to the Village.

The Village desires to maintain prudent levels of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted expenses. In addition, this policy is intended to document the appropriate reserve levels to protect the Village's credit worthiness.

This policy establishes the amounts the Village will maintain in, or contribute to, its various reserve accounts, how the reserves will be funded, the conditions under which the reserves may be used and the replenishment requirements.

The specifically adopted reserve accounts are as follows:

- Operating Reserve
- Litigation Defense Reserve
- Major Road Maintenance Reserve

The reserve allocation amounts can be used only for the specific purposes determined by this Attachment A to Ordinance No. 2019-01.

The reserve policy may be changed or lifted only by the Council taking the same formal action that imposed the constraint originally, which in this case, is an ordinance approved by a supermajority vote of the entire Village Council. This must include publicly noticing and advertising the proposed change consistent with Florida Statutes 116.041 (3)(a).

Any Ordinance approved, which calls for a reduction in the reserve level, must include a detailed plan for how the reserve will be replenished.

The Operating Reserve, Litigation Defense Reserve, and Major Road Maintenance Reserve, once fully funded, are to be maintained at final intended levels and may be spent as provided herein. The fund levels may be increased above this required threshold at any time by the Village Council, without supermajority approval of an Ordinance amendment.

If the use of any of the reserve accounts is deemed to be completed or no longer necessary, and is approved by supermajority Council approval of an Ordinance amendment stipulating such, then the reserve account shall be closed.

1. **Operating Reserve:**

A. Accumulation of funds:

The following accumulation will be calculated and allocated during the budget process:

- Fiscal Year 2018-2019: Reserves equal to, or greater than, ten (10) months of budgeted operating expenses as calculated at time of budget adoption;
- Fiscal Year 2019-2020: Reserves equal to, or greater than, twelve (12) months of budgeted operating expenses as calculated at time of budget adoption;

Reserves equal to or greater than twelve (12) months of budgeted operating expenses is the intended final level for this reserve, and it is intended that the reserve, as provided herein, shall be maintained at this level, or higher, unless directed otherwise by a supermajority Council approval of an Ordinance amendment which orders a change in this policy.

B. Use of funds:

The Operating Reserve funds are only to be used for the following:

- *Disaster Response.*
A Disaster Response is defined as a State of Emergency as declared by the Village of Estero, State of Florida or Lee County. Under these conditions, the funds may be used for the preservation of life and property within the Village.
- *Revenue interruption.*
Revenue interruption may occur when the State, County or Village can no longer operate to provide revenue to the Village of Estero.
- *Debt reserve.*
Debt Reserves are defined as an amount of reserves that may be required as part of debt or loan agreement.
- *Budgeted to expend to provide funding in the event of an economic downturn.*
For application of the Reserve Policy, a qualifying economic downturn is a drop in budgeted general fund revenue of 10% or higher from the prior year budget.

Use of the Operating Reserve funds will be determined by the Village Manager.

C. Replenishment of funds:

In the event that funds are expended from the Operating Reserve, the fund will be replenished in the following fiscal year during the budget process, in accordance with an adopted plan, until funds are fully restored to twelve (12) months of budgeted operating expenses.

D. Budget Process and Presentation:

Funds will be allocated to the Operating Reserve during the budget process and if not expended will be presented as projected ending fund balance. If funds are budgeted to be expended during the fiscal year, replenishment of the funds will be completed in the following fiscal year during the budget process.

2. Litigation Defense Reserve:

A. Accumulation of funds:

The Litigation Defense Reserve was established at \$670,000 for fiscal year 2018-2019. This is the intended final minimum level for this reserve, and the reserve shall be maintained at or above this level, unless directed otherwise by supermajority Council approval of an Ordinance amendment which orders a change in this policy.

B. Use of funds:

Funds may be expended from the Litigation Defense Reserve when the Village is a named party in an active lawsuit after having utilized its annual insurance contribution for such defense(s), if available. In addition, funds may be used for threatened litigation or to develop a settlement strategy designed to prevent extended litigation.

These funds may be expended in the legal defense of the Village, and not for the legal defense of any individual official, staff member, or otherwise affiliated individual, as determined by the Village Manager.

Use of the Litigation Defense Reserve funds will be determined by the Village Manager.

C. Replenishment of funds:

In the event that funds are expended from the Litigation Defense Reserve, this fund will be replenished in the following fiscal year during the budget process, in accordance with an adopted plan, until funds are fully restored to the initial \$670,000 level.

D. Budget Process and Presentation:

Funds will be allocated to the Litigation Defense Reserve during the budget process and if not expended will be presented as projected ending fund balance. If funds are budgeted to be expended during the fiscal year, replenishment of the funds will be completed in the following fiscal year during the budget process.

3. Major Road Maintenance Reserve:

A. Accumulation of funds:

The Major Road Maintenance Reserve annual contribution will be \$300,000 for fiscal year 2019-2020, with 3% annual growth adjustments, unless directed otherwise by supermajority Council approval of an Ordinance amendment which orders a change in this policy.

B. Use of funds:

Each fiscal year, the Village Staff may identify specific roads, experiencing road surface deterioration, and initiate road resurfacing and/or mill and overlay projects to address the identified issues. In addition, funds may be expended in the event that resurfacing is recommended during a planned road improvement project.

Use of the Major Road Maintenance Reserve funds will be determined by the Village Manager.

C. Replenishment of funds:

The Major Road Maintenance Reserve fund will be funded each fiscal year with an annual contribution of \$300,000, which contribution shall be increased by 3% each year. In the event that funds are expended, the reserve will receive the next annual contribution in the following fiscal year during the budget process.

D. Budget Process and Presentation:

Annual contributions will be allocated to the Major Road Maintenance Reserve during the budget process and if not expended will be presented as projected ending fund balance as an addition to any reserve balance carried forward from the prior year. If all of the Major Maintenance Reserve funds are budgeted to be expended during the fiscal year, funding of the annual contribution will be completed in the following fiscal year during the budget process.

E. Annual Contribution Calculation:

The annual contribution was determined via calculation of road repair costs for each Village road. Given Florida's weather conditions, it has been determined that road repairs and resurfacing must occur every seventeen years, on every Village road, in order to ensure that the Village road network remains in excellent condition. By providing an annual allocation increase of 3%, the Village will retain sufficient funds in this reserve to maintain Village roads at an excellent level.