



Village of Estero Financial Responsibility and Management Standards

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Background

Historically, Village financial and management policies have been scattered amongst different documents and legislative actions. It is Village management's intent to consolidate all financial and management policies into one comprehensive document. Along with the investment policy ordinance and procurement policy ordinance, these three policies will act as the guiding financial and management documents for the Village.



Purpose

The Management and Financial Policy Statements, adopted through Ordinance by the Village Council, provide guidelines to Village staff in managing the organization and planning finances. Some policy statements are driven by requirements of State law or Village Charter, while others are formally documented through policies and procedures.



Section 1 Accounting Auditing, and Financial Reporting

The Village will establish and maintain the highest standards of accounting practices in conformance with generally accepted accounting principles (GAAP) and comply with all statutory and legal requirements. The village will prepare and present reports that analyze and evaluate the Village's financial condition.



Section 2 Consultants

The Village will employ qualified financial advisors and consultants as needed in the administration and management of the Village's financial functions. These areas include but are not limited to audit services, debt administration, and financial modeling. The Village shall implement evaluation criteria for each financial consultant to ensure the Village receives the highest quality services available.



Section 3 Budget and Long-Range Planning

The Village will establish budget guidelines to encourage and maintain operations under the government-lite approach. These guidelines will allow the budget to serve as the culmination of the Village's annual planning, implementation, and evaluation process. Additionally, a long-range financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets.



Section 4 Fund Balances and Reserves

The Village will maintain the fund balance of the various operating funds and related reserves at levels sufficient to protect the Village's creditworthiness as well as its financial position during emergencies or economic fluctuations. Should the budgeted fund balance drop below the minimum identified by the policy below, the Village will establish a plan to replenish the balances to the minimum level in subsequent years.



There are five categories of Fund Balance in all governmental funds, not all will always be present. The categories are defined below:

1. Non-spendable- cannot be spent due to being non-spendable in form or the Village being legally or contractually required to maintain this amount intact. For example, inventories and prepaid amounts are considered non-spendable.
2. Restricted- balances are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.
3. Committed- use of funds is only for specific purposes as determined by Village Council.
4. Assigned- intended use of balances for specific purposes is established by the Village Council or delegated to the Village Manager that is neither restricted or committed and includes the remaining positive balance of all governmental funds.
5. Unassigned- excess funds that have not been classified in the previous four categories for the general fund. This category represents the portion of fund balance which is not obligated or specifically designated and is available for general purposes. Unassigned fund balance would also include deficit residual balances for any governmental funds after reporting amounts as restricted, committed, or assigned fund balances. Deficit amounts cannot be reported for restricted, committed, or assigned fund balances in any fund.



The Village proposes to keep the following reserves:

General Fund Committed Fund Balance – Emergency Reserve: The minimum level for the Emergency Reserve is 50% of General Fund budgeted expenditures less transfers out and any uses of fund balances.

General Fund Committed Fund Balance – Operating Reserve: The minimum level for the Operating Reserve is 20% of General Fund budgeted expenditures less transfers out and any uses of fund balances.

General Fund Assigned Fund Balance – Litigation Reserve: The minimum level for the Litigation Reserve is \$750,000. Given the geographical area is prone to legal challenges, these funds are to be used in the event legal action is taken, or, conversely, in an instance where the Village seeks a legal remedy to protect the public interest.

General Fund Assigned Fund Balance – Major Road Maintenance Reserve: The Major Road Maintenance Reserve was established in fiscal year 2019-2020 with an initial contribution of \$300,000 with 3% annual growth adjustments, unless directed otherwise by supermajority Council approval of an Ordinance amendment.



Section 5 Capital Expenditures and Improvements

The Village will review and monitor the state of the Village's capital equipment and infrastructure annually, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.



Section 6 Debt

The Village will establish guidelines for debt financing that will provide needed facilities, land, capital equipment and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.



Section 7 Expenditures and Services

The Village will identify services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of those services.



Section 8 Cash Management and Investments

The Village will maintain the Village's cash in such a manner so as to ensure the absolute safety of principal, to meet the liquidity needs of the Village, and to achieve the highest possible yield in compliance section 218.14 of Florida Statutes and the Village's Investment Policy, as adopted by the Village Commission.



Section 9 Grants

The Village will seek, apply for, and effectively administer federal, state and local grants, which support the Village's current priorities and policy objectives.



Section 10 Cybersecurity Risk Management

The Village will seek, apply for, and effectively administer federal, state and local grants, which support the Village's current priorities and policy objectives.



Section 11 Performance Management

The Village shall create a Strategic Plan that identifies the strategic goals with corresponding key performance indicators (KPI) to help monitor and achieve the strategic goals.



Section 12 Management Structure and Operating Standards

The Village will develop and maintain a management structure and operating standards that adhere to the principles of “government-lite” while providing forward-thinking, efficient, and transparent municipal operations.



QUESTIONS?