

Bay County Board of County Commissioners Reserve Policy

PURPOSE

This policy outlines strategies to be implemented by the Bay County Board of County Commissioners (BOCC) to ensure fiscal security. Strategies include establishing cash reserve ranges, acceptable uses for reserves, and cost-cutting strategies and revenue-increasing strategies to maintain those reserves. A key component of this policy is to establish cash reserve ranges: 26% to 30% for the General Fund, 26% to 30% for the Mosquito Control Fund, and 27% to 31% for Fire Services. These reserve percentages were developed using a risk-based approach applied to the Bay County Board of County Commissioners Threat Hazard Identification Risk Assessment (THIRA). This policy does not apply to any other special revenue funds or enterprise funds, or to expenditures required by court order or judgment.

The Board of County Commissioners recognizes that it is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks, such as revenue shortfalls, natural disasters, unanticipated expenditures, while ensuring stable tax rates in the face of unforeseen situations after all other funding options have been exhausted. Bay County's reserve policies are based on sound fiscal principles that enable the County to maintain operational continuity during adverse conditions, while upholding our fiduciary responsibility to taxpayers, both current and future.

Additionally, the County acknowledges that adequate fund balance levels are a critical component of the overall financial management strategy and a key factor in external agencies' assessment of the County's financial strength. Various bond rating agencies recognize that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a target level of reserves or a reserve floor; specifying the appropriate circumstances for drawing down reserves; and directing the replenishment of reserves.

Combining the Risk Assessment with the Government Finance Officers Association (GFOA) Reserve Calculation Worksheet, Bay County faces a moderate to high level of risk, necessitating a reserve amount significantly higher than the GFOA's recommended minimum. Given our vulnerability to natural disaster events with potentially severe magnitude, maintaining these reserves is essential for ensuring a swift response to emergencies.

RESERVE FUND MANAGEMENT

To enhance financial stability, the BOCC will set a reserve balance target range of 26% to 30% of the General Fund balance, 26% to 30% of the Mosquito Control Fund balance, and 27% to 31% of the Fire Services Fund balance. The determined minimum and maximum reserve balances are based on financial principles designed to allow the County to maintain continuity of service while prioritizing fiduciary responsibility to taxpayers. To achieve these targets, the Chief Financial Officer (CFO) will recommend budgets that incrementally increase reserves over a five-year period.

Once reserves meet the minimum of their respective ranges, they will be maintained. Should the reserves exceed the upper limits, needed capital projects may be funded, or a decrease in the millage rate may be considered.

ACCEPTABLE USES OF RESERVES

Reserves are meant to address unexpected, nonrecurring costs, as the result of hazards such as natural disasters, acts of terrorism, and pandemics. They should not be used for recurring annual operating costs. An exception applies in cases of poor economic conditions or events that disrupt the County's revenues. In such cases, reserves may be used to provide short-term relief, allowing the County to restructure its operations in an orderly manner.

AUTHORITY TO USE RESERVES

If possible, the BOCC should approve the use of cash reserves during a Board meeting, whether regular or special. However, in the event of emergencies, the County Manager may authorize the use of reserves for purposes consistent with this policy. Nothing in this policy modifies the County Manager's spending authority.

REPLENISHMENT OF RESERVES

If reserves fall below the allowed minimum percentage, the CFO will propose a plan for the replacement of the reserves. Bay County will strive to replace the reserves within the shortest practical timeframe.

COST-CUTTING STRATEGIES

To achieve financial stability and minimize the need for tax increases, the following cost-cutting strategies will be explored before reserves are expended:

1. **Hiring Freeze:**
 - A temporary hiring freeze for all non-essential positions.
 - Exceptions may be made for critical positions that directly impact public safety and essential services, subject to BOCC approval.
2. **Limit Overtime:**
 - Limiting department overtime hours.
 - Overtime will only be approved for essential functions that cannot be covered by regular staff within standard working hours.
3. **Cut Capital Expenditures:**
 - Review of all capital projects and expenditures to identify potential cuts or deferrals.
 - Non-essential capital purchases will be postponed until financial conditions improve.

REVENUE-INCREASING STRATEGIES

To further support financial stability, the BOCC will explore the following strategies to increase revenue:

1. **Increase of Fees Charged:**
 - Review and adjust fees for services to ensure they align with the costs of providing those services.
2. **Millage Rate Increase:**
 - Assess the feasibility of increasing the millage rate to provide additional funding for essential services.

IMPLEMENTATION

1. **Annual Review:** These cost-cutting strategies and reserve fund management policies will be reviewed annually by August 1, as part of the annual budget process, to assess effectiveness and make necessary adjustments.
2. **Reporting:** The CFO will provide regular updates on the status of these strategies to the BOCC, including progress on reducing costs, reserve accumulation, and any challenges encountered.

CONCLUSION

By implementing these cost-cutting strategies and establishing robust cash reserves for the General Fund, Mosquito Control Fund, and Fire Services, the BOCC aims to manage resources responsibly, maintain essential services, and protect the interests of Bay County residents. The commitment to fiscal discipline will help ensure the long-term financial health of the County.