

City of South Daytona



Office of the City Manager / Department of Finance

Post Office Box 214960 • South Daytona, FL 32121 • 386/322-3060 • FAX 386/322-3099

MEMORANDUM

To: James L. Gillis Jr., City Manager
From: Jason E. Oliva, Assistant Finance Director
Re: Financial Policies Resolution No. 2020-34
Date: September 2, 2020

AGENDA ITEM
E 18 DATE 9/14/20

Resolution No. 2012-09 was approved in May 2012 adopting financial policies for the City by formalizing policies for accounting and financial reporting, operating budgets, revenues, fund balance, capital improvements, purchasing, and collections. These policies were developed based on a comprehensive set of recommended best practices from The National Advisory Council on State and Local Budgeting (NACSLB) and The Government Finance Officers Association (GFOA).

It is recommended that these policies, along with any others that may be adopted, be reviewed during the annual budget process. City staff should review these policies annually to ensure continued relevance and to identify any gaps that should be addressed with new policies. This review revealed the need to amend some of these policies by: 1) increasing fund balance policies to meet the current (GFOA) guidelines, 2) creating a disaster recovery reserve, and 3) establishing a capital assets policy.

Fund balance policies need to be revised to increase the reserve minimums to match GFOA recommendations. The City must never again go below the recommended minimum reserves.

GFOA recommends, in addition to maintaining two months of the following year's budgeted operating expenditures, that governments that may be vulnerable to natural disasters may need to maintain a higher level in the unrestricted fund balance. This policy establishes a disaster recovery reserve. These reserves will be committed to offset the expenditures incurred by natural disasters such as hurricane preparation and debris collection, reduction, and disposal. The goal of the disaster recovery reserve is to have a minimum balance of \$1,250,000 by 2026.

A capital assets policy is desperately needed to implement better control over the City's assets, prevent loss, and hold staff responsible for losses. The capital assets policy conforms to Chapter 274 of the Florida Statutes and recommendations made by the Governmental Accounting Standards Board (GASB) and the GFOA.

Staff recommends adopting these policies in conjunction with GFOA Recommended Practices and NACSLB approved budgeting practices.

RESOLUTION NO. 2020-34

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA, FLORIDA, ADOPTING REVISIONS TO THE CITY'S FINANCIAL POLICIES BY AMENDING THE FUND BALANCE POLICY, CREATING A DISASTER RELIEF RESERVE, AND CREATING A CAPITAL ASSETS POLICY; PROVIDING FOR SEVERABILITY; PROVIDING FOR CONFLICTING RESOLUTIONS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the intent of Financial Policies are to demonstrate that the City Council of the City of South Daytona, Florida, is committed to fiscal responsibility and to provide a strong precedent for future policy makers and financial managers with respect to the City's ongoing financial wellbeing and to provide direction for implementation of future operational and fiscal goals and strategies; and

WHEREAS, the National Advisory Council on State and Local Budgeting (NACSLB) has promulgated a comprehensive set of recommended budget practices encompassing several financial policy guidelines setting the framework for governmental planning and decision-making with respect to the use of resources; and

WHEREAS, the Government Finance Officers Association [GFOA] through issuances of Recommended Practices encourages governmental entities to have an active and transparent dialogue of financial policies and to include adopted policies in their annual budgets and financial reports;

WHEREAS, many of the foregoing policies represent long-standing de facto principals and practices that have guided the City in the past and have assisted in maintaining financial stability.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA, FLORIDA, AS FOLLOWS:

Section 1. The City of South Daytona, Florida, *Financial Policies Resolution* is hereby revised and shall read as follows:

FINANCIAL POLICIES

(1) Accounting and Financial Reporting Policies

- a. The accounting policies of the City of South Daytona, Florida, will conform to Generally Accepted Accounting Principles [GAAP] as applicable to governmental operations.
- b. The general ledger accounts of the City will be organized on the basis of funds and account groups each of which will be considered a separate accounting entity.

- c. The operations of each fund will be accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.
- d. Government resources will be allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means which spending activities are controlled.
- e. The basis of accounting for all Governmental Funds will be the modified accrual basis of accounting in accordance with GASB codification. Revenues will be recognized when they become measurable and available as net current assets. Revenues that are susceptible to accrual include taxes, intergovernmental revenues including both operational and capital grants, charges for services, and investment earnings. Expenditures will be generally recognized under the modified accrual basis of accounting in accordance with GASB codification when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. For purposes of this policy, the term "available" is intended to mean receipt of a revenue source property taxes on or before 120 60 days after fiscal year end.
- f. The basis of accounting for all Proprietary and Trust Funds will be the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.
- g. The City's finance department will distribute reports of revenues and expenditures to the city manager and City Council for their review on at least a bi-annual basis.
- h. Encumbrances outstanding at fiscal year end will represent the estimated amount of expenditures ultimately to result if unperformed contracts, receipt of goods or services in process at year-end are completed and will not constitute expenditures or liabilities, but rather reservations of fund balance for subsequent year's appropriation.
- i. The City will have an independent audit performed annually.
- j. The City will issue a Request for Proposal at least every five years to select an auditor in conjunction with Florida Statute 218.391.
- k. The City will form an Auditor Selection Review Committee to review all potential auditors and to make a recommendation to the City Council.
- l. The City will prepare annual financial statements in accordance with GAAP as outlined by the Governmental Accounting Standards Board [GASB] and in full compliance with all statutory requirements.
- m. The City's Comprehensive Annual Financial Report [CAFR] will be submitted to the Government Finance Officers Association's Excellence in Financial Reporting Program. Each year's submission will correct any deficiencies noted by program reviewers during the course of their examination of the prior year's report.
- n. After adoption, the City will post the CAFR on the City's website.

- o. The City will submit all audit-related and financial reports to state agencies by the dates established by states statutes.
- p. The City's finance director will establish and monitor internal and procedural controls designed to protect the City's assets and ensure proper accounting and reporting of any transactions that may affect such assets. The internal controls will be designed to prevent losses of funds that may arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

(2) Operating Budget Policies

- a. The City will annually adopt a balanced budget pursuant to Florida Statute 166.241 and the City Charter. A balanced budget is defined as a budget that occurs when revenues plus use of available fund balance, if necessary, equals expenditures, or expenses, within individual funds.
- b. The City Council will adopt the annual budget at the fund level. This level represents the classification of detail at which expenditures may not legally exceed appropriations.
- c. The City will pay for all current expenditures with current revenues and fund balance.
- d. Any budget transfers between line items within a department will be approved by the finance director.
- e. Any budget transfer between departments within the same fund shall be approved by the city manager or his designee.
- f. Any budget transfers or adjustments causing the amount of a fund to increase shall be approved via ordinance resolution by the City Council.
- g. The City will avoid budgetary procedures and/or methodologies that balance current operating expenditures at the expense of meeting future year expenses such as postponing expenditures or accruing future year revenues.
- h. The City will avoid the use of one-time, non-recurring revenues for ongoing expenditures. Any such use will be disclosed and justified within the city manager's Budget Message.
- i. Each department manager will prepare their respective budgets at the program level and allocation appropriations to specific line items in order to provide services at the current level of service.
- j. The emphasis in preparing the annual budget will be on the development of performance outcomes and the relationship of those outcomes to providing the current or enhanced level of service with the budget resources required to accomplish the identified level of service.
- k. The City will establish a transparent mechanism and/or procedure to calculate indirect cost allocations from various funds to the General Fund to ensure that each separate fund pays their fair share of administrative expenses such as those related to legislative,

executive, finance, human resources, and community development/redevelopment functions. This computation and its operational nexus will be clearly noted in the annual budget document.

- l. The city manager or his designee will submit a balanced budget for review by the city council no later than August 15 each year.
- m. The budget will provide for adequate maintenance and repair of capital assets and for their timely replacement.
- n. The City will update expenditure projections at least one time per year after the original budget is adopted. Projections will include estimated operating costs associated with future capital improvements.
- o. After adoption, the City will make copies of the annual budget available for review by the public at the office of the city manager.
- p. After adoption, the City will post a copy of the annual budget on the city's website.

(3) Revenue Policies

- a. The City will strive to maintain a diversified and stable revenue system in order to avoid reliance on a single revenue source or classification.
- b. The General Fund operating budget millage rate will be based on at least a 95% collection rate computed against the Current Year Gross Taxable Value as shown on Form DR-420 as provided by the Volusia County Property Appraiser. This policy is consistent with Chapters 129 and 166, Florida Statutes.
- c. The City will project all major non-ad valorem revenue sources based on prudent trend analysis that considers current and projected economic conditions.
- d. The City will budget state-shared revenues based on estimates received from the State of Florida's Department of Revenue as published in the Local Government Financial Information Handbook. The city will take into consideration objective, analytical budgetary methods when utilizing these estimates from the state.
- e. The use of sales tax revenues by the city will be limited to the General Fund unless required for debt service by bond/loan indenture agreements. The allocation of sales tax revenue will be in accordance with provisions set forth by Florida Statute 218.64.
- f. The levy of gas tax revenues will be pursuant to Florida Statue 336.025. Gas tax revenues may only be utilized to fund transportation expenditures.
- g. The use of Municipal Shared Revenue funds will be limited to General Fund operations unless required for debt service.
- h. The City will impose Utility Taxes pursuant to city ordinances and will utilize these revenues in maintaining adopted levels of service.
- i. The City will levy Franchise Fees on private corporate activities, including city owned operations and activities, within the city's

corporate boundaries, in return for granting privilege, sanctioning a monopoly or permitting the use of public property subject to any and all applicable ordinances. Proceeds from these fees will be used to assist in maintaining adopted levels of services.

- j. The City will budget grants for revenue purposes only if they can reasonably be expected to be received within 120 days of the end of the fiscal year.
- k. The City will annually review all Charges for Services to ensure that all fee structures, at a minimum, maintains the current level of cost recovery (operating and capital, both direct and indirect costs), where appropriate.
- l. The City will review all governmental fund user charges and fees to identify the impact of inflation and other market conditions as part of the annual budget process.
- m. The City will review all enterprise fund operation user charges and fees to ensure that they are calculated at a level that will support all direct and indirect cost of the enterprise.
- n. The City may revise user fees, subject to review and approval by the City Council with proposed fee increases based upon the following: fee policies applicable to each fund or activity, the related cost of the service provided, the impact of inflation in the provision of services, and the equity of comparable fees both internal and external to city activities.
- o. The City will not budget impact fee revenue from current receipts or restricted reserves to fund operating expenditures of any kind.
- p. The City will pursue additional revenue sources as a way of ensuring a balanced budget. These additional revenue sources shall match the cost of services provided unless the City Council approves cost subsidy or profit motive noting that a surplus or deficit may result based on actual cost and volume of activity
- q. The City will use revenues that have been pledged to bond holders in a manner so that they conform in every respect to bond covenants that commit those revenues. Bond covenants measure revenue for adequacy of debt service coverage, restrict revenues for a specific use, and commit the City to monitor and maintain system infrastructure and/or facilities in fully function condition.

(4) Fund Balance Policies

- a. The General Fund unassigned fund balance, at fiscal year end, will be between ~~ten~~ fifteen percent and twenty percent of the following year's budgeted operating expenditures, ~~(personal services plus operating costs)~~.
- b. General Fund ~~undesignated~~ unassigned fund balance over twenty percent can be transferred to the disaster recovery reserve, if necessary, to meet the disaster recovery reserve goal balance, or to the Capital Project Fund upon City Council approval.

- c. The General Fund establishes a disaster recovery reserve in accordance with GFOA recommendations for City's that may be vulnerable to natural disasters. The disaster recovery reserve will be committed to offset expenditures incurred by natural disasters or emergencies as declared by the City Council. The disaster recovery reserve will have a minimum balance of \$1,250,000 by 2026. Increases to the minimum reserve balance will be evaluated annually as part of the budget process.
- d. If the General Fund undesignated unassigned fund balance is below the ten fifteen percent goal at fiscal year end, a plan must be developed and adopted using increased revenues or a reduction in expenditures to return the undesignated unassigned fund balance to a ten fifteen percent or greater threshold within two years.
- e. If economic conditions cause a temporary loss of revenue, the unassigned fund balance may be used to help alleviate the effects of the loss of revenue. If the unassigned fund balance exceeds fifteen percent of the following year's budgeted General Fund expenditures, up to 50% of the amount over the fifteen percent minimum, may be used to offset the shortfall. At no time should unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.
- f. An Enterprise Fund's (Water, Sewer and Stormwater) undesignated retained earnings unrestricted net position will be between ten twelve percent and twenty percent of the following years budgeted operating expenses as recommended by GFOA.
- g. Enterprise Fund undesignated retained earnings unrestricted net position over twenty percent can be transferred to the disaster recovery reserve account, a rate stabilization fund, or a renewal and replacement reserve account upon City Council approval.
- h. If an Enterprise Fund undesignated fund balance unrestricted net position is below the ten twelve percent goal at fiscal year end, a plan must be developed and adopted using increased revenues or a reduction in expenditures to return the undesignated fund balance unrestricted net position to a ten twelve percent or greater threshold within two years.
- i. All other funds, including Special Revenue Funds, Capital Project Funds, Internal Service Funds, and Trust/Agency Funds will not have a fund balance requirement. Fund balances in these funds will be dictated by revenue sources and appropriate legal expenses.

(5) Capital Improvement Policies

- a. The City will develop a five-year Capital Improvement Plan [CIP] and Budget that summarizes the project scope, estimated project cost, method of financing, and future operational cost of each project.
- b. The City will update its Capital Improvement Plan on an annual basis.

- c. The City will maintain its assets at a level adequate to protect the city's capital investment and minimize future maintenance and repair costs.
- d. The City will identify the estimated costs and potential funding sources for each capital project proposed before it is submitted to the City Council for approval during the budget process.
- e. The City will seek intergovernmental assistance, such as grants, whenever possible to finance capital improvements outlined in the CIP.
- f. ~~The finance department will maintain a complete inventory of all capital assets. This listing will be annually distributed to departments to aid in the assessment and verification of the condition of the City's assets.~~

(6) Debt Management Policies

- a. The City will abide by all statutory constraints on debt issuances, financial capacity, and various financing alternatives.
- b. Before incurring additional debt, the following factors will be discussed between city staff and the City Council: the urgency of the capital project and the economic costs, if any, of delaying the project; the prevailing economic environment; the financial condition of the city; determination as to whether to employ a "pay as you acquire" versus a "pay as you use" approach; the appropriate balance between internal and external financing; the types, availability and stability of revenues to be pledged for repayment of debt; current interest rates and other economic considerations; type of debt to be issued.
- c. The City will finance capital improvements to enterprise fund operations solely by debt to be repaid from user fees and charges generated from the respective enterprise funds' operation.
- d. Capital improvements not related to enterprise fund operations shall be financed by debt to be repaid from available revenues sources.
- e. To the extent appropriate "available equity" should be used to fund scheduled capital improvements prior to the issuance of debt. For purposes of this Policy, "available equity" is defined as the amount of cash reserves in excess of twenty percent [20%] of the respective year operating budget at the beginning of the fiscal year or a net cash reserve of fifty-two [52] consecutive days of operational costs. These surpluses may also be used to defease debt if the investment return is higher than the debt cost, and the defeasance is allowable by law.
- f. The City shall issue debt for the purposes of constructing or acquiring capital improvements and for making major renovations to existing capital assets. Exceptions to this policy would be entering into contractual capital lease arrangements for the acquisition of major equipment when it is cost-justifiable to do so and pre-acquisition/construction costs of potential assets.

- g. All capital improvements or equipment financed through the issuance of debt should be financed for a period of time not to exceed the useful life of the asset.
- h. The City will not construct or acquire a public facility if the city is unable to provide for the subsequent annual operational and maintenance costs of the facility unless funding will be provided by a third party.
- i. The City shall continuously and vigilantly monitor its debt with an emphasis on sustaining its financial integrity in order to seek and maintain the highest credit rating possible with the end result of obtaining the lowest interest cost on debt for the representative length of indebtedness.
- j. The City shall ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with appropriate laws, rules, regulations, and covenants associated with outstanding debt.
- k. The City shall continuously monitor its outstanding debt in relation to existing market conditions in the debt arena and will refund any outstanding debt when sufficient cost savings can be realized.
- l. Credit enhancements will be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.
- m. The City will budget operating revenues sources for debt when legally required and, in those situations where they have previously been used for operation and maintenance expenses/general operating expenditures, they will only be pledged for debt when other sufficient revenue sources are available to replace same to meet operation and maintenance expenses/general operating expenses.
- n. The City, in order to maintain a stable debt service burden, will attempt to issue debt that carries a fixed interest rate, ~~however, it is recognized that certain circumstances, such as the issuance of short-term debt such as a line of credit or bond/loan/grant anticipation note, may warrant the issuance of variable rate interest debt. In those instances, the City shall attempt to stabilize debt service payments via the use of an appropriate stabilization arrangement.~~
- o. The City shall strive not to issue General Obligation debt. If General Obligation debt is utilized via voter referendum approval, the city will limit the issuance of outstanding indebtedness in any one year to no more than five percent [5%] of the prior year's final taxable valuation as certified by the Volusia County Property Appraiser on Form DR-422 and at no time shall General Obligation indebtedness exceed fifteen percent [15%] of the city's most recent final gross taxable valuation.

(7) Investment Policies

- a. The City has previously adopted a separate Investment Policy in accordance with State Statutes. Resolution No. 95-12 was adopted

by the City Council on May 9, 1995 and sets forth investment parameters including investment objectives, performance and reporting guidelines, maturity and liquidity strategies, risk and diversification, criteria for selection of financial intermediaries and issues, third party custodial agreements, and internal controls.

(8) Purchasing Policies

- a. The City will adhere to guidelines set forth by city administration and in accordance with city ordinances and state statutes, as amended.

(9) Collection Policies

- a. The City will adhere to guidelines set forth by city administration and in accordance with city resolutions and state statutes, as amended.

- a. The City will provide bills monthly for certain services and these bills shall be due when rendered.
- b. A late fee and/or service continuation fee will be assessed pursuant to City ordinances, as amended.
- c. Should any charges from the City including, but not limited to, water, wastewater, stormwater management fees, garbage, yard waste, recycling, utility tax, and penalties remain unpaid for thirty [30] days after the original date of billing, the City shall cause services to be discontinued to the premises where the charges have accrued, without notice to the occupants of such premise. The service will not be reconnected until all charges, including current amounts, plus any late fee assessments such as reconnection fees, are paid.
- d. The City will not issue a business tax receipt to any commercial establishment if said establishment has any amount over thirty [30] days due to the City for any reason. The city manager will withhold issuance of the business tax receipt until all amounts due to the city are paid including any applicable late fees, penalties, and/or interest.
- e. The City may utilize the service of collection agencies to collect monies owed to the city on any delinquent account with all fees and/or costs for such services approved by the City Council and supplemented to the delinquent bill amount due.
- f. If fees for any City services billed to the owner of a property served by city services are not paid when due, the city has the right to place a lien on such property.
- g. An owner(s) of a single family dwelling unit rental property, multi-family unit, commercial/industrial property or any other rental property will be required to place a utility deposit in their name(s) equivalent to the amount of a rental property deposit if that property

has two instances within a twenty four month period where a renter moves leaving an unpaid balance due to the City after any deposits and credit adjustments have been applied to the account. The owner will then become responsible for all utility billing fees and charges for services incurred at that address for the duration of their ownership of that property.

(10) Capital Assets Policy

- a. **Overview.** The acquisition, disposition, and monitoring of City owned property is governed by Chapter 274 of the Florida Statutes. The City will consider capital assets to be any tangible or intangible property with a value of \$ 5,000 or more and a projected useful life of more than two years as per guidance provided by the Government Finance Officers Association (GFOA) and Governmental Accounting Standards Board (GASB). Also, effective 07/01/2020 Chapter 274 of the Florida Statutes in rules change: "Attractive Items" under the threshold must be tagged and tracked for inventory purposes. Attractive Items are officially defined as "tangible personal property used in operations that has a cost less than an established threshold and that requires special attention to ensure legal compliance, protect public safety, and avoid potential liability, or to compensate for a heightened risk of theft." To satisfy this requirement, additions, deletions, transfers, disposals, and annual inventory of "attractive items" will be handled in the same manner as Capital Assets.
- b. **Designation of Custodian.** The Department head will designate a custodian(s) of all capital assets held by that department. The Department head will also compile a list of "attractive items" that will be included in the department inventory. The custodian will be responsible for monitoring the locations of all capital assets and "attractive items" and facilitating the purchase, disposition, and transfer of any assets within their inventory. The custodian will work with the Finance Department during the annual physical inventory to ensure all assets are accounted for and will also be responsible for ensuring all procedures are followed in the acquisition and disposition of capital assets.
- c. **Asset Capitalization Guidelines.** These guidelines are being provided to assist management when making the determination between which asset related expenditures are/are not recommended to be capitalized in accordance with governing laws, rules, and regulations. The following guidelines, except where noted, apply equally to both Governmental Funds and Proprietary Funds. Definitions are provided as needed.
 - i. **New Asset** – Cost of \$5,000 or more incurred to acquire an individual asset or to make an asset ready for its intended use,

should be capitalized. The capitalization threshold for infrastructure assets will be \$50,000 or more.

- ii. Additions - Purchased additions to previously capitalized assets that meet the capitalization threshold, should be capitalized as add-ons to the existing property record.
- iii. Replacement/Improvements – The cost to replace or improve an existing asset should be capitalized if it meets the capitalization threshold and at least one of the following criteria:
 - 1. Extends the useful life of the existing asset
 - 2. Increases the effectiveness of an asset

For replacements, the old asset should be removed from the fixed asset system if it can be separately identified or if a cost can be estimated for its original value and then adjusted in the fixed asset system.

- iv. Repairs and Maintenance – Costs that are associated with repairs and maintenance are not recommended for capitalization because they do not add value to the existing asset. However, major repairs that extend the useful life or increase the effectiveness or efficiency of an asset may be classified as improvements and therefore should be capitalized.

d. Acquisitions of Capital Assets. All acquisitions will follow the procedures outlined:

- i. After a department determines a need for a capital asset, they will obtain approval to purchase the item from the City Manager and the City Council or designee during the annual budget process. In the event a capital asset needs to be purchased and was not approved in the budget, the department will need approval first from the Finance Director, if applicable, then the City Manager, and the City Council, if the capital assets exceeds the City Manager spending authority.
- ii. After approval is obtained, the requesting department will enter a requisition into the system and forward it to the Accounts Payable with the required authorizations per the purchasing policy. The requisition shall contain a detailed description of the item and the cost, as well as required supporting documentation. The requisition will then be converted to a purchase order.
- iii. After receiving a capital asset, the requesting department will send the approved invoice, and the Capital Asset Addition form to the Finance Department for processing. If the item is a replacement for an existing capital asset, the Asset Disposal

Form must be sent to the Finance Department prior to or at the same time as purchase of the new asset.

- iv. The Finance Department assigns capital asset numbers for all capital assets. City vehicles are tagged by the Fleet Manager and computer equipment is tagged by the IT Director. Items that are unable to be tagged will still be assigned a capital asset number.
- v. Donated property with a market value in excess of \$5,000.00 will be added into the capital assets system. The department must provide written notification to the Finance Department of any donated capital assets. Donated land will be recorded at market value. No minimum threshold will be applied to Donated land.
- vi. All vehicles purchased will be held solely in the name of the City. If a trade-in is involved, please refer to section F of this policy.

e. **Disposition of Capital Assets.** All dispositions will follow the procedures outlined:

- i. All dispositions of capital assets are coordinated by the Finance Department. Public Works is responsible for the evaluation and approval of all Fleet and equipment disposals. If the capital asset is computer equipment, the IT Director will review and approve the disposal.
- ii. The Finance Department will coordinate with the departments for the disposal of capital assets through direct sale, bids, or using an auctioneer.
- iii. The Finance Department will remove the capital asset from the capital asset inventory, and record payments received for the disposed assets.
- iv. The items will be disposed of in accordance with Florida Statutes, Section 274. Any funds received from the sale of those assets will be credited back to the purchasing department's fund.
- v. Capital assets paid for by a grant should follow granting agency's procedures for disposal.
- vi. If the capital asset is missing and believed stolen, a police report must be completed, and a copy attached to the disposal record.

- vii. If the capital asset is lost, employee responsible will be disciplined in accordance with our employee policy manual.
- viii. All assets approved for disposition will be picked up by Public Works.

If the item is in **working** condition, it will be picked up and stored by Public Works until disposition.

Any assets deemed to be in **non-working** condition and to have little or no value will be transported to the local salvage yard by Public Works or the City's solid waste disposal contractor. Any proceeds will be submitted to the Finance Department for processing. Public Works will provide documentation from the salvage yard to the Finance Department showing the disposal of such items.

- f. **Disposition Through Transfer of Capital Asset.** All transfers of capital assets between departments must be submitted to the Finance Department on a Capital Asset Transfer Form. The Finance Department will transfer the asset as requested.
- g. **Disposition Through Trade-In.** Before any capital asset can be used as a trade-in on a new piece of equipment, it must be approved by the Finance Department. All trade-ins of capital assets must be submitted to Finance on a New Asset Transmittal Form. Once approval has been given, the Finance Department will update the status of the asset traded in on the capital asset system.
- h. **Disposition of Non-Capital Assets.** If a department wishes to dispose of a non- capital item that is **not** in working condition, this disposal must be initiated and approved by the Department Head. It is the responsibility of the department to dispose of the item. If the item requires additional assistance to dispose of, contact Public Works.

If a department wishes to dispose of a non-capital item that **is** in working condition, then they must follow the same procedures outlined in Section e regarding sending the items to auction.

- i. **Annual Physical Inventory of Capital Assets.** A physical inventory of a department's capital assets will be conducted on an annual basis. A representative from the Finance Department will schedule the inventory with each department's designated capital assets custodian. All assets will be physically located and accounted for by the custodian and the Finance Department representative. An Inventory Report will be sent to the department head after completion of the physical inventory that summarizes any additions, deletions, or changes noted during the inventory. The department head will review the form, make changes if necessary, and approve by signing and returning it to the Finance Department.

- j. **Replacement of Assets by Insurance.** When a capital asset is severely damaged or destroyed by a covered peril under the City's insurance policy, and the replacement of that asset has been approved through funding from the City's insurance policy, the new capital asset must be paid for by the department that owns the asset (that department's budget). Reimbursement must then be requested by the department to Finance. The Finance Department will reimburse the department for their cost of replacing the asset. Proper backup is necessary to complete the reimbursement. Also, the asset that was destroyed must be deleted from that department's inventory.
- k. **Intangible Assets.** Intangible assets such as computer software, easements, and land use/ water/ leachate rights will be capitalized on the City's books and amortized over their useful lives unless that life is indefinite. Easements and rights granted to or purchased by the City will be assumed to have an indefinite useful life unless there are contractual or legal requirements that state otherwise. In those instances, the City will amortize those easements and rights over the life stated in the contract documents.
- l. **Operating Procedures.** The Finance Director will create necessary operating procedures in order to apply this policy.

Section 2.

Severability. It is declared to be the intent of the City Council of the City of South Daytona, Florida, that, if any section, subsection, sentence, clause, phrase, or portion of the Resolution is for any reason held invalid or unconstitutional by a court or competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not affect the validity of the remaining portions hereof.

Section 3.

Conflicting Resolutions. Any portion of the City of South Daytona, Florida, Code of Ordinances or any ordinance, resolution, or part hereof in conflict with this Resolution is hereby repealed to the extent of such conflict.

Section 4.

Effective Date.

This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED upon first and final reading at a meeting of the City Council of the City of South Daytona, Florida, held in the City of South Daytona, Florida, on the 14th day of September, 2020.

Signed

William C. Hall
Mayor

Attest:

James L. Gillis, Jr.
City Manager

Approved as to form and legality:

Scott E. Simpson
City Attorney