Budget Policies Amendment

Section 10 - Reserves

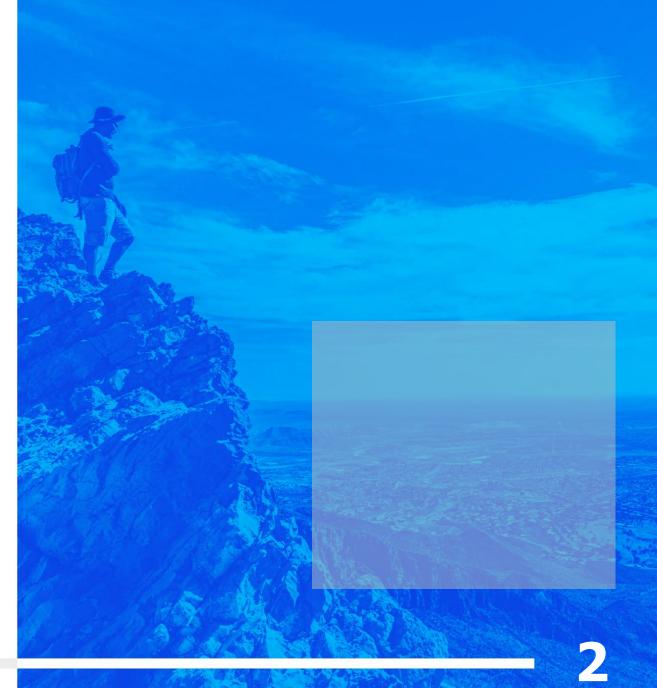
June 10, 2025

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Agenda

Section X – Reserves Amendment

- Scope and purpose
- Appropriate fund balance level
- Use and replenishment of funds





Bottom Line Up Front

- Current cash reserve requirement is outdated and there is no current policy
- Strong fiscal management over the last decade has led to strong reserve level, which must be preserved
- Policy is necessary to define the scope, purpose, appropriate level, and use and replenishment of funds



Current Policy

City Charter Section 7.4 (Cash Reserve Fund)

- No less than 5% of the prior year's adopted General Fund operating expenditure budget
- Shall be maintained and reported as restricted under applicable GASB
- Short-term borrowing from the cash reserve fund shall be for a period of no more than one calendar year and must be approved by the Council
- Annual income from the cash reserve fund may be used only for capital improvements



General Fund Balance As of 8/31/2024

Category	Amount	Description
Restricted	25,683,429	Externally enforceable limitations (Charter)
Committed	92,786,737	Limitations imposed by the City (stabilization funds)
Assigned	2,200,000	Earmarked for an intended use (2024 City election)
Unassigned	40,577,933	All remaining fund balances
Total	\$161,248,099	

Source: FY 2024 Annual Comprehensive Financial Report



General Fund Balance

	FY 2014	FY 2024	
Unrestricted Balance	\$9,151,599	\$135,564,670	
% of Operating Expenses	2.5%	22.6%	
# of Operating Days	9	83	

FY 2025 Adopted Budget included \$7.2 million use of Fund Balance

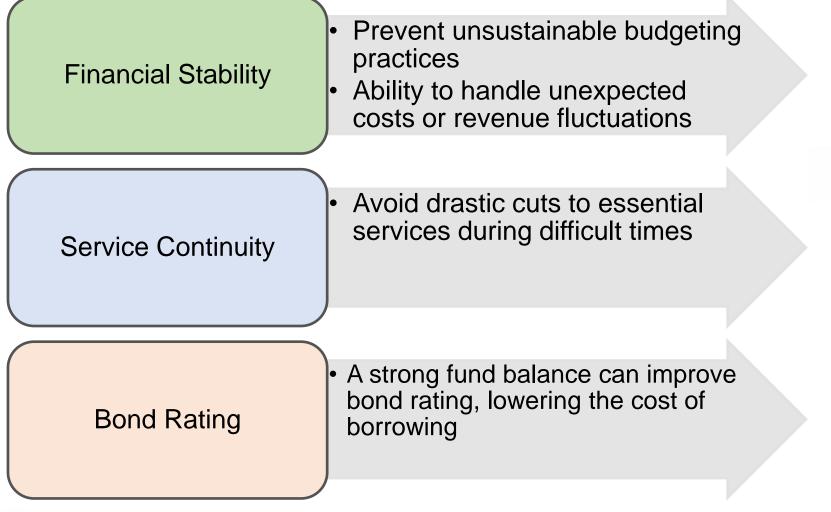


General Fund Balance

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Budget	\$441,985,321	\$476,230,863	\$512,751,272	\$573,763,092	\$599,635,163
Starting Unrestricted Fund Balance	\$46,401,155	\$77,002,502	\$123,157,090	\$128,112,184	\$135,564,670
Daily Operating Cost	\$1,210,919	\$1,304,742	\$1,404,798	\$1,571,954	\$1,642,836
Actual # Operating Days	38	59	88	81	83
Actual Unrestricted % of Budget	10.5%	16.2%	24.0%	22.3%	22.6%
Minimum Unrestricted Per New Policy	\$75,137,505	\$80,959,247	\$87,167,716	\$97,539,726	\$101,937,978



Scope and Purpose





Minimum Balance Best Practice

- At minimum, maintain unrestricted fund balance of no less than two months of regular General Fund operating expenditures
- Only intended as a baseline and should be adjusted according to local conditions
- Ex. of factors to consider include: revenue (sales tax) volatility, infrastructure upkeep, extreme events and public safety concerns, grant reliance



Use and Replenishment of Funds Best Practice

- Define the time period and contingencies for which fund balances will be used;
- Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished
- Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;



Benchmarking

- Varies from City to City
- Some Cities may have alternate sources of funding, aside from fund balance, for emergency situations
- Some specify "Unassigned", while others specify "Unrestricted"
- Some specify number of days, others specify percent of budget
- Minimums range from 7.5% (Houston) to 16.7% (Ft. Worth)



Recommendation

- Maintain a minimum unrestricted fund balance (unassigned, assigned, committed) of no less than 17% of operating revenues in the General Fund
- This reserve shall be used for the following:
 - Provide resources for one-time capital outlay expenditures
 - Provide resources to meet emergency expenditures resulting from catastrophic events, or major economic downturn, while expenditure reductions are implemented, or alternative sources of revenue are determined
 - Planned use of fund balance adopted with the Budget Resolution



Recommendation Continued

- City Council approval is required prior to its use
- Upon the close of each fiscal year, the City Manager shall present a plan for replenishment to the City Council if reserve level falls below, or significantly exceeds, the minimum level



MISSION

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Deliver exceptional services to support a high quality of life and place for our community. Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.

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Integrity, Respect, Excellence, Accountability, People



Benchmarking

Fort Worth	Unassigned Fund Balance in the General Fund equivalent to two months (16.67%) of the next fiscal year budgeted operating expenditures		
Dallas	Unassigned fund balance of the General Fund, which includes the Emergency and Contingency Reserves, shall be maintained at a level n less than 40 days of the General Fund operating expenditures		
San Antonio	Unrestricted fund balance of the General Fund, maintain a minimum ending balance of 15.0% of revenues		
Houston	Minimum unassigned fund balance of 7.5% of the General Fund expenditures		
Austin	two General Fund reserves which together must be at least 14% of General Fund requirements		

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