



Budget Policies Amendment

Section 10 - Reserves

June 10, 2025

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- Current cash reserve requirement is outdated and there is no current policy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

Financial Stability

- Prevent unsustainable budgeting practices
- Ability to handle unexpected costs or revenue fluctuations

Service Continuity

- Avoid drastic cuts to essential services during difficult times

Bond Rating

- A strong fund balance can improve bond rating, lowering the cost of borrowing

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



Deliver exceptional services to support a high quality of life and place for our community.

VISION



Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.



VALUES

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople

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 not 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