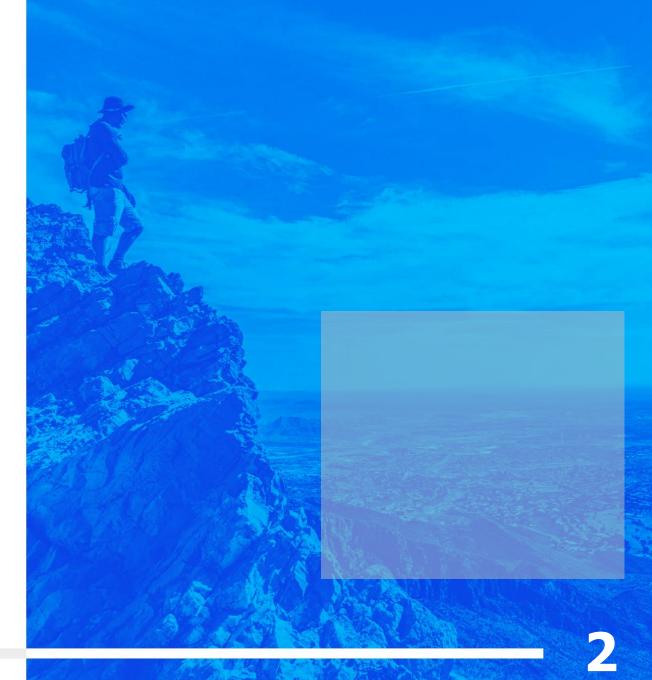


Agenda

Section X – Reserves Amendment

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





Bottom Line Up Front

- Current fund balance requirement is outdated and not in-line with best practice
- Strong fiscal management over the last decade has led to appropriate reserve level
- Policy is necessary to define the scope, purpose, appropriate level, and use and replenishment of funds



Current Policy

City Charter Section 7.4

- A cash reserve fund in the general operating fund of the City shall be maintained in an amount no less than five percent (5%) of the prior year's adopted general fund operating expenditure budget
- The cash reserve fund 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
Nonspendable	7,244,631	Governmental fund inventories and prepaid expenditures
Restricted	25,683,429	Externally enforceable limitations (Charter)
Committed	92,786,737	Limitations imposed by the City on itself
Assigned	2,200,000	Earmarked for an intended use (City election)
Unassigned	40,577,933	All remaining fund balances
Total	\$168,492,730	

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 includes \$7.2 million use of Fund Balance



Scope and Purpose

- Financial Stability:
 - Helps manage finances more effectively, preventing unsustainable budgeting practices and ensuring the ability to handle unexpected costs or revenue fluctuations
- Service Continuity:
 - By maintaining a certain level of fund balance, provides ability to avoid drastic cuts to essential services during difficult times
- Improved Bond Ratings:
 - A strong fund balance can improve bond rating, lowering the cost of borrowing and reducing the overall financial burden



Minimum Balance Best Practice

- At minimum, maintain unrestricted fund balance in their general fund of no less than two months (16%) of regular general fund operating revenues or operating expenditures
- Only intended as a baseline and should be adjusted according to local conditions
- Factors to consider include: revenue (sales tax) volatility, infrastructure upkeep, extreme events and public safety concerns, leverage (debt, pension, OPEB), expenditure volatility, 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

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	

Cities with reserve policies lower than 16.7% may have alternate sources of funding for emergency situations or wish to prioritize spending on resident services



Recommended Amendment

- 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 to:
 - Provide resources for one-time capital outlay expenditures
 - Provide resources to meet emergency expenditures resulting from catastrophic events
 - Provide resources in the event of a major downturn in the economy while expenditure reductions are implemented, or alternative sources of revenue are determined
- City Council approval is required prior to its use
- Upon close of each fiscal year, City Manager shall present a plan for replenishment to the City Council if reserve level falls below the minimum or significantly exceeds 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, Respect, Excellence,
Accountability, People