

## Augusta Georgia Fund Balance Policy

Current policy was updated and adopted on June 5, 2012. Unassigned fund balance was recommended to be maintained at a level between 90 and 120 days of operations. At the budget planning workshop in 2021 the commission revised the goal to 180 of operations.

For Governmental General Funds Bond rating agencies use a methodology of Operating (Unassigned) fund balance as a % of Operating Revenues:

Moody's Thresholds	Percent Equivalent	in Days	in Months
AAA - > 30%	100%	equals 365 Days	12 Months
AA1 – 30% > N > 15%	75%	equals 274 Days	9 Months
AA2 – 15% > n > 5%	50%	equals 182 Days	6 Months
AA3 – 5% > n > 0%	42%	equals 150 Days	5 Months
A1 – 0% > n > -2.5%	33%	equals 120 Days	4 Months
A2 - < -2.85%	25%	equals 90 Days	3 Months

*General Fund Unassigned Fund Balance at 12-31-2021 - \$40,980,125*

*# of Days – 103 days*

### Recommendations:

- A. Conditions for Use of Reserves** - It is the intent of the Government to limit use of General Fund Operating Reserve to address unanticipated, Non-Recurring (one-time) needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the Government to restructure its operations in a deliberate manner (as might be required in an economic downturn or an emergency), but such use will only take place in the context of an adopted financial recovery plan.

The Economic Uncertainty/Emergency Reserve may be used at the discretion of the Board of Commissions to:

- Provide resources to meet emergency expenditures in the case of flood, fire, tornado or other natural disaster.
- Provide resources to make up for temporary decreased revenues resulting from loss of major revenue sources.

**GOAL :** maintain the current AA2 bond rating, implement process to achieve AAA bond rating

Recommendation: set minimum days of fund balance at 120 days of operations with a targeted goal of 150 days of operations.

Process: until targeted number of days goal is reached a minimum of \$1,000,000 budget increase in unassigned fund balance will be included in annual budget. Increases to fund balance to be allocated 80% to unassigned, 20% to emergency reserve.

Once the targeted number of days goal has been reached, excess fund balance shall be allocated as follows:

**B. Excess of Reserves** - In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

- a) Fund accrued liabilities, including but not limited to debt service, workers' compensation benefits, pension, employee health benefits and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods.
- b) Appropriated to lower the amount of outstanding general obligation bonds, temporary notes or contributions needed to fund capital projects in the Governments' CMIP.
- c) One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
- d) Start-up expenditures for new programs, provided that such action is approved by the Board of Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Department.
- e) Property tax mill rate and/or charges for services fee reductions. These actions may happen only following a full evaluation of impact to rollback rates and tax cap implications from a mill rates reduction.

**Augusta Georgia Enterprise Funds**  
**Fund Balance / Cash on Hand**

For Enterprise funds a more meaningful metric is Number of Days of Cash on Hand. This metric determines how many days the system(s) can operate with no cash inflows from operations.

**Recommendations**

**Water & Sewer Funds**

Minimum: meet bond requirements

Goal – 250 days

**Augusta Regional Airport**

Minimum: meet bond requirements

Goal – 400 days

**Landfill**

Minimum: meet bond requirements

Goal – 250 days

**Garbage Collection**

Minimum: meet bond requirements

Goal – 300 days –

Higher requirement due to billing cycle of fees. Fees are billed annually on Property tax statements. Cash is needed to fund operations until 4<sup>th</sup> quarter.

**Stormwater Utility**

Minimum: meet bond requirements

Goal – 90 days

## **Augusta Georgia Special Revenue Funds**

### **Fund Balance**

As special revenue funds typically do not issue debt, there are no rating agency metric to use as guides. Fund balance requirements are based on operational needs, which are determined by the government and address specific circumstances related to operational levels.

#### **Fire Department**

Fund Balance – 300 days

Since the measurement date occurs when the resources are at peak level, the need for a higher balance is due to timing for receipt of the two main revenue sources of the fund: Ad Valorem Taxes and Insurance Premium Tax. Both revenues are received in the 4<sup>th</sup> Quarter of the year. Cash is needed for operations until current year Revenues are received.

Unassigned Fund balance in excess of 300 days should be allocated to an assigned fund balance for capital needs.

12-31-2021 Fund balance: \$24,941,877

# of Days operations - 295

#### **Streetlights** *need to fix the fee structure first*

Fund Balance – 300 days

Since the measurement date occurs when the resources are at peak level, the need for a higher balance is due to timing for receipt of the main revenue source of the fund: Ad Valorem Taxes. Revenue is received in the 4<sup>th</sup> Quarter of the year. Cash is needed for operations until current year revenues is received.

12-31-2021 Fund balance: \$235,894

# of Days operations - 32

#### **E911**

Fund Balance – 210 days

Revenue is received throughout the year. Reserve will allow for continued essential service operations should there be a significant economic downturn.

Unassigned Fund balance in excess of 210 days should be allocated to an assigned fund balance for capital needs.

12-31-2021 Fund balance: \$3,479,683

# of Days operations – 269