



## Staff Report

March 6, 2023 Council Workshop Meeting

Draft Fund Balance Policy Discussion

Presenter: Cathy Huber Nickerson, Finance Director

Time Estimate: 10 minutes

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**BACKGROUND:** This presentation is to provide City Council an opportunity to review an update Fund Balance Policy for the City.

**SUMMARY:** The City's current policy states:

### **General Fund Balance**

**Goal:** *The General Fund will strive to maintain a fund balance of 17% of budgeted General Fund expenditures.*

*To mitigate current and future revenue shortfalls, unanticipated expenditures, and cash flow needs due to the General Fund dependence on property taxes, an adequate fund balance in the General Fund will be maintained. The projected fund balance at year end is expected to remain 17% of annual budgeted General Fund expenditures.*

The attached policy recommends a more comprehensive approach to fund balance which is more in compliance with the Government Finance Officers Association of best practices and with Standard and Poors' recommendation to the City.

**BENEFITS TO THE COMMUNITY:** This policy is in line with City Council's goal to update the current fund balance policy as identified in the City's Strategic Plan.

**POTENTIAL CHALLENGES:** Future economic downturns the proposed policy may put pressure on future budgets but in the long term may enhance liquidity.

**BUDGET IMPACT:** Currently, the City has budgeted within an informal policy of 22% for the General Fund.

**RECOMMENDATION:** Staff recommends City Council consider the new Fund Balance Policy and will place the policy on the March 20, 2023 Council Regular Meeting Consent Agenda.