



MEMORANDUM

TO: Board of County Commissioners
Nick Lelack, County Administrator

FROM: Peter Gutowsky, Director
Sherri Pinner, Sr. Management Analyst

DATE: May 16, 2022

SUBJECT: Community Development Reserve Policy

County Internal Auditor David Givans completed an internal audit in January 2017 titled “CDD Review of Selected Business Software Processes” internal audit report #15/16-1. One of the recommendations included in the audit was for Community Development (CDD) to establish a reserve policy.

CDD met with the Board of County Commissioners (Board) during a work session on February 8, 2017 to present a draft reserve policy that was created with the involvement of Dave Givans, Internal Auditor, Wayne Lowry, Finance Director and considered recommendations from Capital Accounting Partner’s staff, Dan Edds. At this time, there was support for utilizing the reserve policy as an internal informal department guideline.

As the County nears its FY 23 annual budget process, CDD requests an opportunity to revisit the reserve policy recommendation with the current Board to receive feedback and guidance.

Background

To maintain service delivery during the Great Recession period of 2008-2013, CDD utilized a total of \$10.3M of CDD reserve funds and general fund contributions. Of this amount, \$5M was a contribution from CDD reserves and \$5.3M was a contribution from general fund. Additional actions taken to navigate the decrease in revenues during this time period included reducing staffing from 74 FTE to 28 FTE.

CDD’s FY 23 proposed budget includes an estimated operating reserve balance of \$9.9M which is equivalent to 10.5 months of operating expenditures.

Draft Reserve Policy Summary: Target, Minimum, Maximum

A summary of the draft policy includes the following:

Funds 300-302 – Operating Reserves

- A target reserve balance equal to 12 months operating expenditures.

- A lower limit reserve balance equal to 10 months operating expenditures.
- An upper limit reserve balance equal to 18 months operating expenditures.
- Monthly operating fund and reserve balance analysis.
- At such time the analysis reveals a consistent decrease in financial position, a negative ongoing trend, or an excess reserve balance, the department will initiate a recommendation and associated action to be presented to the Board and County Administrator.

Fund 303 – Capital Improvement Reserve

- Target balance will be determined in conjunction with planned improvements and will be discussed with the Board and County Administrator annually during the budget process.