



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: January 24, 2024

SUBJECT: Update to County Finance Policy No. F-14 General Financial Policies

RECOMMENDED MOTION:

Move approval of County Administrator signature of revised County Finance Policy No. F-14, General Financial Policies.

BACKGROUND AND POLICY IMPLICATIONS:

Staff reviewed County Finance Policy No. F-14 General Financial Policies and identified numerous 'clean up' items and various updates required since the policy was last approved on December 15, 2014. However, the objective of this update is focused on Board consideration of adopting a General Fund Reserve policy.

GFOA Recommendations

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance (reserves) that should be maintained in the general fund. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time. In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

GFOA further recommends governments consider the following:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds; and
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific

purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Policy Update

Attached is the revised policy document, a clean draft and a red-lined version. In addition to clean-up items and minor updates, the major focus is on section 1. f) iii) General Fund Reserve, summarized as follows:

The County will establish and strive to maintain a General Fund reserve balance of fifteen percent (15%) of anticipated property tax revenues. A percentage is used so that the County's reserve stays consistent with the size of the budget over time. This reserve is in addition to required operational contingency amounts.

The General Fund Reserve will have two components: emergency and financial stability.

1. Emergency Reserve - Twenty percent (20%) of the reserve will be dedicated to emergency funding. This guarantees the County has available funds to calamitous events affecting the provision of County services to the public.
2. Financial Stability - Eighty percent (80%) of the General Fund Reserve will be dedicated to financial and operational stability.

BUDGET IMPACTS:

No immediate budget impact. GFOA recommends revenue sources that would typically be looked to establish or replenish the reserve to include nonrecurring revenues, budget surpluses, and other excess resources. Year-end surpluses are an appropriate source for replenishing fund balance.

ATTENDANCE:

Robert Tintle, Chief Financial Officer