



City of Dripping Springs Tax Increment Fund Balance Policy

Purpose

The purpose of this policy is to establish a key element of the financial stability of the TIRZ by setting guidelines for fund balance.

Definitions

Fund balance: A measurement of available financial resources for a fund and is the difference between total assets and total liabilities in each fund.

Beginning fund balance: A measurement of available financial resources at the beginning of each fiscal year and which is not committed to a restricted, committed, or assigned fund balance.

Restricted fund balance: Amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

Committed fund balance: Amounts that can be used only for the specific purposes determined by a formal action of the TIRZ Board and the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the council's commitment in connection with future construction projects).

Assigned fund balance: Amounts intended to be used by the government for specific purposes. Intent can be expressed by the TIRZ Board and City Council or by a designee to whom the City delegates the authority. (In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed but by definition, being accounted for in a separate fund, are intended to be used for the purpose of that fund).

Unassigned fund balance: Includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

Policy

Minimum Assigned Fund Balance

It is the goal of the TIRZ Board to achieve and maintain an assigned fund balance equivalent to the annual principal and interest payment for any debt incurred and funded through TIRZ funds. If the assigned fund balance falls below its goal, the TIRZ Board shall develop a corrective action plan within the same fiscal year and take actionable steps.

Minimum Assigned Fund Balance Timing

The goal of maintaining a minimum assigned fund balance shall be accomplished over a period of three fiscal years or less. Upon adoption of this policy and the incurring of any debt, whichever comes later, at least fifty percent (50%) of the minimum assigned fund balance shall



be deposited in the assigned fund balance. The remaining assigned fund balance deficit shall be deposited by the end of the third fiscal year. Thereafter, the minimum assigned fund shall meet this policy.

Committed Fund Balance

Remaining funds shall be committed to TIRZ Priority Projects for either Construction & Debt costs or Engineering & Planning costs.

Unassigned Fund Balance

Funds remaining after the Minimum Assigned Fund Balance and Committed Fund Balances are established may be utilized for any purpose recommended by the TIRZ Board. These remaining funds may also be utilized as the Beginning Fund Balance for the next fiscal year.