

Staff Report

Subject: General fund operating reserve and general fund balance policy
Author: Mark W. Barnes, Finance Director
Department: Finance Department
Meeting Date: 5/3/22
Item Description: Discuss the general fund operating reserve and general fund balance policy

Executive Summary:

Staff is requesting discussion on two items related to general fund balance:

1. Operating reserves mechanism

Because the County maintains an operating reserve (rainy day fund) of \$6 million via formal Board resolution, that portion of general fund balance is classified as 'committed' in our financial statements. The funds would otherwise be classified as 'unassigned'. The County could use formal financial policy to achieve similar reserves, without the 'committed' classification. A policy requiring a minimum general fund balance of 20% of annual expenditures would have created an operating reserve of approximately \$6.3 million, based on FY 2021 operating expenditures.

2. Capital funding

Staff would like to discuss the creation of a financial policy that would require the general fund balance that was above the operating reserves threshold to be transferred to a capital projects fund. This fund balance could potentially be transferred to SPLOST or TSPLOST funds to assist with those projects. A capital projects fund could also be established and then funded by this.

Background:

1. The rainy day fund resolution was modified upwards in 2007 and again in 2019.
2. County financial policies currently state that a minimum of 5% of expenditures be maintained in fund balance, which would be approximately \$1.6 million in FY 2021 for the general fund.
3. Current financial policies on fund balance do not differentiate between the general fund and other funds.

Alternatives for Commission to Consider:

1. Direct staff to draft a proposed amendment to County financial policies
2. Direct staff to not draft a proposed amendment to County financial policies
3. Provide staff with direction

Recommended Alternative:

1. Staff recommends Alternative number 1 – Direct staff to draft a proposed amendment to County financial policies.

Other Alternatives:

N/A

Department Review: *(list departments)*

Finance, County Manager

Funding Source:

No funding required

Attachments:

N/A