

Staff Report

Subject: Addendum No. 15 to the Effingham County Financial Policies, 'rainy day fund'
Author: Mark W. Barnes, Finance Director
Department: Finance Department
Meeting Date: 3/7/23
Item Description: Consideration to approve Addendum No. 15 to the Effingham County Financial Policies, regarding 'rainy day funds'

Summary Recommendation:

Staff recommends approving Addendum No. 15 to the Effingham County Financial Policies, creating a 'rainy day fund' in the general fund worth 25% of annual budgeted operating expenses.

Executive Summary

In the 5/3/22 public meeting, staff discussed how the current 'rainy day fund' resolutions cause \$6,000,000 worth of general fund balance to appear on the balance sheet as 'committed' funds, since these reserves were created by a formal Board resolution. Even though these funds are at the Board's disposal, the 'committed' designation may make other parties believe that these funds are restricted in ways that they actually are not. In order to have these funds be reflected in the 'unassigned' section of fund balance, which is a more appropriate classification, operating reserves must be designated via financial policy rather than formal resolution.

Therefore, staff requested a resolution to rescind the 'rainy day fund' resolutions, and this addendum to the financial policies will create a 'rainy day fund' via the financial policies. The 'rainy day fund', or operating reserves, must be 25% of the annual budgeted operating expenses.

Background:

1. The rainy day fund resolution was increased to \$4,200,000 in 2007.
2. The rainy day fund resolution was increased to \$6,000,000 in 2019.
3. Based on the FY 2023 adopted budget, with this addendum in place the 'rainy day fund' must be at least \$11,360,576.

Alternatives for Commission to Consider:

1. Approve the proposed addendum to the financial policies.
2. Do not approve the proposed addendum to the financial policies.

3. Provide staff with direction

Recommended Alternative:

4. Staff recommends Alternative number 1 – Approve the proposed addendum to the financial policies.

Other Alternatives:

N/A

Department Review: *(list departments)*

Finance, County Manager

Funding Source:

No funding required

Attachments:

Addendum No. 15 to the Effingham County Financial Policies