



CITY OF HENDERSONVILLE AGENDA ITEM SUMMARY

SUBMITTER: Adam Murr

MEETING DATE: 06/02/2022

AGENDA SECTION: New Business

DEPARTMENT: Administration

TITLE OF ITEM: Fund Balance Policy Revision – *Adam Murr, Budget Manager*

SUGGESTED MOTION(S):

I move City Council adopt the revised fund balance policy as presented.

SUMMARY:

The Local Government Budget and Fiscal Control Act (“the Act”) includes the formula the City must use to calculate fund balance. Within the Act, North Carolina General Statute (NCGS) 159-8 is the requirement to have an annual balanced budget ordinance. The Local Government Commission (LGC) also recommends fund balance policies and defines the unassigned, or available, fund balance as a portion of the fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

On August 11, 2021, the LGC issued Memorandum 2022-03, altering the fund balance available. Prior to the change, the LGC recommended a percent available fund balance depending upon a local government’s population group. The new policy establishes that a unit’s percent available fund balance is more accurately calculated based upon General Fund expenditures. The City of Hendersonville falls into the municipalities with General Fund expenditures above \$10 million group. The target available fund balance for the group is 25.00%. As a result, Staff have provided an updated available fund balance policy reflecting the LGC’s new recommendations.

The City has also recognized our revenue bond covenant as the most critical financial indicator for the Water and Sewer Fund. The City’s general trust indenture establishes and defines revenue bond covenant calculations. Also included in the revised fund balance policy is the removal of a fund balance target for the Water and Sewer Fund, in favor of maintaining bond covenant ratios in compliance with the general trust indenture.

BUDGET IMPACT: N/A

Is this expenditure approved in the current fiscal year budget? N/A

If no, describe how it will be funded. N/A

ATTACHMENTS:

Revised Fund Balance Policy