

Agenda

1. Fund Balance Policy: Background and Purpose
2. Current City Policy
3. Proposed Revisions to City Policy
4. Timeline for Policy Revision
5. Next Steps

1. Fund Balance Policy: Background and Purpose

- “Funds” are distinct subsidiaries within a government entity
 - Accounting convention; governed primarily by GASB
 - Fund categories: governmental, proprietary, fiduciary
 - Governmental fund types: general, special revenue, debt service, capital projects, etc.
 - **See 2025 Adopted Budget: Fund Structure (pg. 23)**
- “Fund Balance” is equivalent to “ownership equity”
 - Assets MINUS Liabilities
 - Types of fund balance: unassigned, restricted, committed, etc.
 - **See Draft Policy Section 3: Definitions**

1. Fund Balance Policy: Background and Purpose

- Purposes of Fund Balance (GFOA)
 - provide a financial cushion to mitigate current and future risks
 - mitigate impact of revenue shortfalls, unanticipated expenditures, and other unforeseen circumstances
 - prevent the disruptions to essential services
- GFOA recommendations
 - Minimum unrestricted fund balance of two months (17%) of budgeted revenues (or expenses)
 - ***A government should establish a formal fund balance policy that reflects its own specific circumstances***

2. Current City Policy

- No comprehensive, stand-alone fund balance policy
- Limited relevant language in Code, Ch. 3
- Other language in annual adopted budgets
- City's fund balance is +/- 8 months of expense
 - Reflects legal contingency reserve for Oil & Gas property litigation
 - Risk mitigation in the event of an adverse Court decision

3. Proposed Revisions to City Policy

Section 1: Scope

- Covers all funds except
 - Permanent fund
 - Self-insurance
 - Hospital
 - Schools

Section 2: Purpose

- GFOA / GASB best practices
- Principles:
 - Standardization
 - Accuracy
 - Transparency
 - Accessibility
 - Accountability
 - Sustainability

3. Proposed Revisions to City Policy

Section 3: Definitions

- 18 terms defined
 - Fund Categories
 - Fund Types
 - Fund Balance Categories

Sections 4 (Policy) and 5 (Procedures)

- Corresponding sections for:
 - Balance targets and calculations
 - Reporting
 - ***Corrective measures (3)***
 1. Amend the budget
 2. Authorize an exception
 3. Revise the policy

3. Proposed Revisions to City Policy

Section 6: Limitations / Approvals / Responsibilities

- Policy is *in effect* until rescinded, but can/should be periodically revised
- **City Manager** is on-point for adherence to procedures and apprising Council
- **Council** is the *final arbiter* of policy compliance
- Fund Balance policy sets targets
- *Budget Policy* sets parameters for allowable uses of fund balances

4. Timeline for Policy Revision

- Council feedback July 1
- Staff review & revision
- Follow-up work sessions (September, October)
 - Detailed review of funds and balances
 - Proposed targets, re-deployment, additions/deletions
- Final Draft in November
- **Adoption concurrent with 2026 Budget**
- Re-assessment in fall of 2026

5. Next Steps

- Council Q&A
- Council Consensus: **Continue** / **Pause** / **Stop**
- Feedback and Direction to Staff
- Follow-up work session