



Department of Finance

Commitment of General Fund Balance for General Fund Emergency Contingency and General Fund Operating Reserve for FY 2020

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Controller

City Council
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Item 9





GASB Statement No. 54 - Review

Department of Finance

- **GASB Intent:**
 - > Improve financial reporting with more clearly defined and easier to understand terms
 - > Fund Balance for governmental funds should be reported in categories and classifications that comprise a level of hierarchy which are based on the extent to which the government is bound to honor-based on specific purposes for which amount in that fund can be spent.
- **Accounting 101**
 - > $\text{Assets} - \text{Liabilities} = \text{Fund Balance}$



GASB Statement No. 54 - Categories

Department of Finance

- Nonspendable
- Spendable - Four Classifications:
 - > Restricted
 - > Committed
 - > Assigned
 - > Unassigned



GASB Statement No. 54 - Categories

Department of Finance

- **Nonspendable Fund Balance:**
 - > Not in spendable form-inventory or prepaids
 - > Legally or contractually required to be kept intact, such as corpus or principal in a permanent fund.
- **Restricted Fund Balance:**
 - > Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or
 - > Imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance:**
 - > Committed to specific purpose by formal action by highest level of decision makers.
 - > Uncommitted only through same level of formal action.
 - > Required prior to end of reporting period. Amount may be subsequently determined.



GASB Statement No. 54 - Categories

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- **Assigned Fund Balance:**
 - > Amounts intended for a specific purpose.
 - > Intent should be expressed by governing body or delegate who assigns amounts in accordance with policy established by the governing body.
 - > Authority has been delegated to the Finance Director for assignments of fund balance for financial statements.

- **Unassigned Fund Balance:**
 - > Residual classification for the General Fund for amounts not restricted, committed, or assigned.
 - > General Fund only fund to present positive unassigned fund balance.



Fund Balance Policy - General Fund

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- Current Fund Balance Policy for the General Fund:
 - > Commit through formal action, 20 percent of current year appropriations after FY 2014.
 - > Pursuant to guidance of the June 12, 2017 City Council meeting, the recommended commitment of General Fund balance will be 15 percent to the Emergency Contingency Committed Fund Balance and 5 percent to the Operating Reserve Committed Fund Balance.
 - > During FY 2020, City Council direction was given to utilize \$700,000 of Operating Reserve for the COVID-19 Alternate Care Site at the Convention Center and \$750,000 for a COVID-19 Small Business Disaster Fund.



General Fund Commitment

Department of Finance

- Policy:
- FY 2020 Emergency Contingency (15%) = \$42,427,200
- FY 2020 Operating Reserve (5%) = \$14,142,400
- Total FY 2020 Commitment (20%) = \$56,569,600

- Recommended-Final Amount TBD:
- FY 2020 Emergency Contingency (15%) = \$42,427,200
- FY 2020 Operating Reserve (TBD-4.5%) = \$12,692,400
- Total FY 2020 Commitment (TBD-19.5%) = \$55,119,600



General Fund Commitment-Operating Reserve

Department of Finance

- FY 2020 Operating Reserve (5%) \$14,142,400
- COVID-19 Alternate Care Site (\$ 700,000)
- COVID-19 Small Business Disaster Fund (\$ 750,000)
- Maximum Operating Reserve (4.5%) \$12,692,400 *
- * Actual amount to be determined – current projections show \$2 to \$3 millions dollars short of being able to reach this goal.
- \$2,000,000 short = Operating Reserve (3.8%) \$10,692,400
- \$3,000,000 short = Operating Reserve (3.4%) \$ 9,692,400
- Commitment levels based on current year (FY 2020) annual appropriations per the adopted City budget.



General Fund Commitment - Recommendation

Department of Finance

- City Council, through formal action (Resolution), commits \$42,427,200 for emergency purposes defined as:
 - > General Fund Emergency Contingency Commitment to be used in the event of a declared federal, state, or local emergency.
 - > Can only be changed by City Council resolution.



General Fund Commitment - Recommendation

Department of Finance

- City Council, through formal action (Resolution), commits method to calculate Operating Reserve which are estimated to be \$ \$9,692,400 to \$10,692,400 for operating reserves with a restricted purpose defined below:
- Calculation method will utilize all unassigned fund balance up to \$12,692,400 to fund Operating Reserve.
 - > General Fund Operating Reserve Commitment to be used to stabilize the delivery of City services during a period of extreme operational budget deficits; and
 - > To mitigate the effects of major economic uncertainties resulting from events uncontrollable by the City.
 - > Can only be changed by City Council Resolution.