



**REQUEST FOR BOARD ACTION**

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**BOARD MEETING DATE:** November 9, 2021

**REVIEWALS:**

Finance Director – approved  
City Administrator - approved  
Finance Committee - approved

**SUBJECT:** Eliminate Code of Ordinances, Chapter 2, Article 1, Section 2-10 (b) “General fund cash and investment reserves guideline” and replace with Fund Balance Policy within Policies & Procedures

**LIST OF ATTACHED REFERENCE DOCUMENTS:**

Fund Balance Policy Proposals from Sep 7, 2021 Finance Committee Meeting  
Approved Minutes of Sep 7, 2021 Finance Committee Meeting  
Current Ordinance with proposed modification  
Policies & Procedures Fund Balance Policy

**FISCAL IMPACT:** none

**BACKGROUND/DISCUSSION:**

Historical fund balance policy is based on above referenced ordinance, which is essentially a portion of the investment policy ordinance. The current ordinance has an upper limit of 50% reserve, and applies only to the General Fund. At issue is the upper limit to fund balance/reserve, lack of distinction from investment policy, and lack of fund balance policy for Capital and Special Revenue funds. This has been discussed with the Finance Committee on Sept 7, 2021 during which they approved the following lower limits on fund balances:

- 1) 50% of combined annual expenditures, capital outlays and debt service, exclusive of restrictions, assignments and commitments, is the minimum fund balance for the General Fund
- 2) 30% of capital sales tax revenues is the minimum fund balance for the Capital Fund
- 3) Zero fund balance is allowed for County Road, Storm Water / Parks and Prop P Funds.

**STAFF RECOMMENDATION:**

Approve this recommendation

**MEETING HISTORY:**

Finance Committee Meeting – Sep 7, 2021