



Legislation Text

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Agenda Information Sheet

DEPARTMENT: Finance

ACM: Bryan Langley

Date: September 20, 2016

SUBJECT

Consider adoption of an ordinance of the City Council of the City of Denton, Texas, amending the City's Fund Balance Policy; and providing an effective date.

BACKGROUND

The City adopted a formal fund balance policy in order to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" on September 20, 2011. This policy was necessary to meet the new requirements of GASB Statement No. 54 and additionally set fund balance targets for the City's General Fund as well as working capital and rate reserve targets for the City's utility funds. The policy was amended on September 15, 2015, to establish rate reserve ranges for the Solid Waste Fund. The following table displays the current utility fund reserve policies and the proposed changes for the Water, Wastewater, and Solid Waste Funds.

	Working Capital Reserve (%)	Operating Reserve (%)	Operating Reserve (%) (proposed)	Total Day Rate
Water	8%	17-25%	25-42%	33-50% / 20-180
Wastewater	8%	12-16%	20-31%	28-39% / 60-140
Solid Waste	8%	4-8%	6-10%	14-18% / 52-66
Electric	8%	8-12%	Same	16-20% / 50-75

The proposed ordinance would change the attached Fund Balance Policy (exhibit 2) to the proposed operating reserve levels and maintain the working capital level. These changes were approved by the Public Utilities Board at their meeting of June 27, 2016.

In addition to the utility fund changes, the attached amendment would also change the minimum unassigned fund balance language for the General Fund. The current policy calls for a minimum fund balance of 20%. The revised policy maintains the 20% minimum unassigned fund balance and allows for an additional 5% resiliency reserve to be maintained to safeguard against unusual financial circumstances or economic downturns.

These proposed changes to the Fund Balance Policy were presented to the City Council during the budget work

session on August 4, 2016 with direction to return the revised policy for approval during the budget adoption process.

RECOMMENDATION

Staff recommends that the City Council approve the fund balance policy which is incorporated into the attached ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On February 22, 2016, the Public Utility Board received a presentation on proposed changes the utilities' financial strategies.

On June 27, 2016, the Public Utility Board unanimously recommended approval of the utilities' financial strategies, which included the Solid Waste Fund.

On August 4, 2016, The City Council discussed the proposed fund balance changes at the budget work session.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Organizational Excellence**

Related Goal: **1.1 Manage financial resources in a responsible manner**

EXHIBITS

1. Public Utilities Board Minutes - February 22, 2016 and June 27, 2016
2. Ordinance

Respectfully submitted:
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