

COUNCIL POLICY NO. C-21

TITLE: CITY SERVICES FUND BALANCE / RESERVE POLICY
FOR RADIO COMMUNICATIONS DIVISION

POLICY: See attachment.

REFERENCE: 7/8/2024 City Council Report (Agenda Item No. 3.2a., Resolution 2024-34)

HISTORY: 3/18/2024 Finance Committee Report (Agenda Item No. 4.a.)

TITLE: CITY SERVICES FUND BALANCE / RESERVE POLICY
FOR RADIO COMMUNICATIONS

POLICY: PURPOSE

Sound financial management practices include establishing designated and undesignated fund balances sufficient to provide resources for events and service needs unanticipated during budget development, such as a cash flow need during a fiscal year; providing a source of funds to sustain services during a temporary slowing in revenue and/or a source of bridge funding to allow transition to sustainable service levels; and providing a source of funds for other unexpected events that cause a need for additional expenditures. The purpose of this policy is to establish the components and uses of the Fund Balance for the Radio Communications Fund.

SCOPE

This policy applies to the Radio Communications (City Services) Fund.

DEFINITIONS

Radio Communications (City Services) Fund – An enterprise fund established for managing the operation and maintenance of the City’s radio communication and infrastructure.

Contingency Account – A budgetary account used to appropriate resources that can be used to address events or service needs that were unanticipated during budget development. With City Council adoption of a transfer resolution, funds are transferred from the Contingency Account to an operating program.

Fund Balance –The sum of the Rate Stabilization Reserve, and the Unappropriated Ending Fund Balance in the Radio Communications (City Services) Fund. In the Annual Comprehensive Financial Report, the Fund Balance is included in the schedule titled “Statement of Revenues, Expenditures and Changes in Fund Balance.”

Rate Stabilization Reserve - A reserve established to provide resources, in the event of loss of revenue or significant unanticipated expenditure items which will impact the upcoming fiscal year. This reserve allows the continuation of services for a finite period until additional resources are identified or a transition to a sustainable service level is completed.

RELATED FINANCIAL POLICIES

- Stable Financial Environment – City Council Policy C-8
- Balanced Budget – City Council Policy C-8

POLICY STATEMENT

City Manager's recommended budget shall contain a Fund Balance comprised of the Rate Stabilization Reserve as follows:

- Minimum Operating Reserve equal to two months of total expenditures based on the recommended FY budget.
- Revenue loss reserve equal to 25% of all outside agency revenue budgeted in recommended FY budget.
- Contingency Account for unanticipated significant system expense required to maintain continuous operation, not to exceed \$500,000.

The Rate Stabilization Reserve can be used in the following circumstances:

1. The Rate Stabilization Reserve can be used by the City Manager to balance the budget, in the event revenues may be insufficient to meet the expenditures necessary to maintain current services. In addition, the Rate Stabilization Reserve can be used to provide resources through a supplemental budget to sustain services in a current fiscal year, if an unforeseen event occurs. Utilization of the Rate Stabilization Reserve shall be within the context of a financial plan designed to bring services to a sustainable level through additional financial resources, service reductions, or a combination of both. The Rate Stabilization Reserve may be used in lieu of rate increases.