

COUNCIL POLICY NO. C-12

TITLE: FUND BALANCE / RESERVE POLICY FOR EMERGENCY SERVICES FUND

POLICY: See attachment.

REFERENCE: Finance Committee Report dated 12/14/2009, Agenda Item 4.2 (a)

TITLE: FUND BALANCE/RESERVE POLICY FOR THE EMERGENCY SERVICES FUND

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 Emergency Services Fund.

SCOPE

This policy applies to the Emergency Services Fund.

DEFINITIONS

Emergency Services Fund – An enterprise fund established for financing the City’s ambulance service operations.

Fund Balance –The sum of the Service Stabilization Reserve, Contingency Account, and the Unappropriated Ending Fund Balance in the Emergency Services Fund. In the Comprehensive Annual Financial Report the Fund Balance is included in the schedule titled “Statement of Revenues, Expenditures and Changes in Fund Balance.”

Contingency Account – A budgetary account established to provide resources to address events or service needs that were unanticipated during budget development.

Service Stabilization Reserve - A reserve established to provide resources, beyond those available in the Contingency Account, to allow the continuation of services for a finite period until additional resources are identified or a transition to a sustainable service level is completed.

Capital Asset Reserve – A reserve established to accumulate resources on an annual basis that will be used to replace capital assets and to provide for major customer service enhancements, where procurement of the assets or enhancements will be appropriated in a future year.

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 a Service Stabilization Reserve, Contingency Account, and Capital Asset Reserve, as follows:

- The Service Stabilization Reserve shall be a minimum of six months' operating expenditures, based on the costs to the City if the Fire Department becomes the City's primary medical transport agency.
- The Contingency Account shall be an amount not to exceed 10% of all budgeted expenditures in the Emergency Services Fund.
- The Capital Asset Reserve, if any, shall be an amount recommended by the City Manager, based on a schedule of capital assets to be funded by the Capital Asset Reserve.

The Service Stabilization Reserve, Contingency Account and Capital Asset Reserve can be used in the following circumstances:

1. The Service Stabilization Reserve can be used by the City Manager to balance the Emergency Services Fund budget, in the event revenues may be insufficient to meet the expenditures necessary to maintain current services. In addition, the Service 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, and the Contingency Account is insufficient to cover operational needs. Utilization of the Service 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.
2. The Contingency Account can be used only to meet expenditure requirements resulting from events or service needs not anticipated during the development of the budget. The expenditure of funds in the Contingency Account is subject to the prior authorization by the City Council through the adoption of a transfer resolution.
3. The Capital Asset Reserve can be used for planned capital expenditures. The expenditure of funds in the Capital Asset Reserve can be used only after express written consent of the City Manager has been given. After City Manager's approval, the expenditure of funds in the Capital Asset Reserve may be made

after adoption of a transfer resolution by the City Council during a given fiscal year, or may be made as a budgeted expenditure in the budget proposal for the year during which the capital asset or enhancement will be acquired.

REFERENCE: 11/12/09 Finance Committee Report (Agenda Item No. 3.a)