



Albemarle County

Legislation Text

File #: 17-583, **Version:** 1

AGENDA DATE: 11/1/2017

TITLE:

Financial Management Policies - Fund Balance/Reserves

SUBJECT/PROPOSAL/REQUEST: Approval of Revisions to Fund Balance/Reserves Section of the County's Financial Management Policies

ITEM TYPE: Regular Action Item

STAFF CONTACT(S): Walker, Letteri, Kamptner, Burrell, Allshouse, L.

PRESENTER (S): Lori Allshouse and Betty Burrell

LEGAL REVIEW: Yes

REVIEWED BY: Douglas C. Walker

BACKGROUND: According to the Government Financial Officers Association (GFOA) guidelines and the County's Financial Advisors, financial policies should be reviewed periodically to ensure they are current and effective. The County's Financial Policies were initially adopted by the Board of Supervisors on October 5, 1994, with amendments approved by the Board on October 11, 2000, August 1, 2012, March 13, 2013, and September 6, 2017.

On September 6, the Board approved all of staff's recommended amendments to the County's Financial Management Policies except those in the Fund Balance or Reserve Policies section.

STRATEGIC PLAN: *Mission:* To enhance the well-being and quality of life for all citizens through the provision of the highest level of public service consistent with the prudent use of public funds.

DISCUSSION: On September 6, 2017, the Board directed staff to bring back further information regarding the recommendation to establish a more formalized Budget Stabilization Reserve. This work was to formalize a practice that has been followed for many years in which staff identifies and holds a separate reserve as part of the unassigned fund balance based on an assumption of volatility risks in a given fiscal year.

After discussing the conceptual elements of the Budget Stabilization Reserve on September 6, noting the value of codifying a current practice in policy, and hearing from Albemarle County Schools Chief Operating Officer Dean Tisdadt, the Board reached a consensus that the County's Financial Policies should include the establishment of a Budget Stabilization Reserve. Prior to the Board's formal approval of the Reserve in the Financial Policies, however, the Board directed staff to provide more details about the potential uses for the Reserve and the proposed Board's approval process.

On November 1, staff will further clarify the uses and approval process. Attachment A is the current version of the County's Financial Management Policies, which includes the amendments the Board approved on September 6, 2017, as well as staff's proposed revisions to the Fund Balance or Reserve Policies section

regarding the 1% Budget Stabilization Reserve. Attachment B includes additional details about the uses of the Reserve and a recommended approval process.

BUDGET IMPACT: The County's Financial Policies provide guidance to the County's budget development and fiscal management processes. The recommended policy regarding a Budget Stabilization Reserve will provide additional clarity for approved uses of a Stabilization Reserve, such as the Rainy Day Fund/Stabilization Fund currently included in the FY 18 Budget.

RECOMMENDATION:

Staff recommends that, after the Board's discussion of the Budget Stabilization Reserve uses and approval process, the Board approve the recommended revisions to the "Fund Balance or Reserves Policies Section of the County's Financial Management Policies as set forth in Attachment A.

ATTACHMENTS:

A - Recommended Revisions to the "Fund Balances or Reserves Policies" Section of the County's Financial Management Policies

B - Recommended Uses of the Budget Stabilization Reserve and Approval Process