

**City of Gainesville
Fund Balance Policy
Proposed Revisions/Additions
April 24, 2018**

General Fund

The General Fund unassigned fund balance, at year end, will be a minimum of ten percent of the following year's budgeted expenditures and transfers. Unassigned fund balance over ten percent may be transferred as follows:

1. Temporary Loss of Revenue, if needed, up to 50%
2. Commission Priorities, up to 25%
3. Balance allocated based on needs –
 - Emergency Reserve Fund
 - Capital Projects Fund
 - Facilities Maintenance Fund

The City Manager, or designee, is authorized to allocate the above amounts annually based on budget projections and need.

If economic conditions cause a temporary loss of revenue, the unassigned fund balance may be used to help alleviate the effects of the loss of revenue. If the unassigned fund balance exceeds ten percent of the following year's budgeted General Fund expenditures and transfers, up to 50% of the amount over the ten percent minimum, may be used to offset the shortfall. At no time should the unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

If the unassigned fund balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenditures to return the unassigned fund balance to ten percent or greater within three years.

Example Calculation:

Unassigned Fund Balance	\$11,000,000.00
Less: Minimum Required	<u>(\$10,000,000.00)</u>
Excess:	\$1,000,000.00
Temporary Loss of Revenue	\$0.00
Commission Priorities	<u>(\$250,000.00)</u>
Balance Available	\$750,000.00
Emergency Reserve	(\$150,000.00)
Capital Projects	(\$250,000.00)
Facilities Maintenance	<u>(\$350,000.00)</u>
Remaining Excess	<u><u>\$0.00</u></u>

Emergency Reserve

The Emergency Reserve Fund unassigned fund balance, at year end, will be at least two one hundredths percent (0.02%) of the taxable value of all property in the City on July 1 of that year. If the Unassigned fund balance is below the minimum amount at year end, transfers should be made from the General Fund in an amount sufficient to increase the fund balance above the minimum amount, within three years.

The Emergency Reserve represents a committed fund balance within the General Fund. It can be used to address unanticipated expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other emergencies, whether man-made or caused by nature, using emergency procedures as provided for in the City's Purchasing Policy.

Example Calculation:

Taxable Value, July 1	\$6,547,912,693
Emergency Reserve %	<u>0.02%</u>
Emergency Reserve Minimum	<u><u>\$1,309,583</u></u>

Employee Health and Accident Fund

The self-insured Employee Health and Accident Fund net position, at year end, will be a minimum of three months operating expenses in order to cover amounts needed to be considered actuarially sound by the Florida Office of Insurance Regulation. A maximum of 50% of the excess of this floor can be used to hedge against future cost increases. If the net position is below this floor, a plan must be developed using increased premiums and/or a reductions in benefits to return net position to the minimum level within three years.

Example Calculation:

Operating Expenses	\$25,000,000
Minimum Reserve %	<u>25.00%</u>
Fund Balance Floor	<u><u>\$6,250,000</u></u>

Fleet Replacement Fund

The Fleet Replacement Fund unrestricted net position, at year end, will be a minimum of the total expected Fleet replacement cost divided by the average life of the Fleet. Amounts in excess of this floor can be used to hedge against future cost increases and Fleet expansion. If the unrestricted net position is below this floor, a plan must be developed using increased internal lease charges to return unrestricted net position to the minimum level within three years.

Example Calculation:

Projected Replacement Cost	\$42,839,010
Average Life (Years)	<u>9</u>
Fund Balance Floor	<u><u>\$4,759,890</u></u>

Fleet Management (Maintenance) Fund

The Fleet Management Fund unrestricted net position, at year end, will be a minimum of ten percent of the following year's budgeted operating expenditures and transfers. Amounts in excess of this floor can be used to hedge against future cost increases. If the unrestricted net position is below this floor, a plan must be developed using increased internal charges to return unrestricted net position to the minimum level within three years.

Example Calculation:

Operating Expenses	\$5,022,545
Minimum Reserve %	<u>10.00%</u>
Fund Balance Floor	<u><u>\$502,255</u></u>