

# 2020 Year-End Fund Balance Designation Committed Fund Balances

February 22, 2021

# Fund Balance Classification – New SAO Guidance

- ▶ Starting in 2020 reporting year
- ▶ SAO BARS manual requires beginning and ending cash and investments be classified in five fund balance categories
- ▶ Indicates “the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent”

New Classification	Authority	Purpose
<i>Nonspendable</i>	Inherent	Nonfinancial resources (i.e., endowment fund)
<i>Restricted</i>	External restrictions	Restrictions on the purpose or use of resources imposed by law, enabling legislation, or contracts (i.e., creditors, grantors, bond covenants, donors, or other governments).
<i>Committed</i>	Internal commitments By City Council	Specific (not generic) limitations that the government imposes upon itself through the most binding formal action (i.e., resolution, ordinance, etc.) and that remains binding unless removed in the same manner.
<i>Assigned</i>	Intended use	Amounts intended to be used by the government for specific purposes that are neither restricted nor committed. Can be done in an informal way such as a motion or other form of directive. The creation of a fund outside of the general fund is considered at least assigned since the creation of a fund automatically sets aside the monies for a purpose.
<i>Unassigned</i>	Any allowable use and purpose of that fund.	All other funds that are not reported in other categories.

## General Fund - Ending Fund Balance

12/31/2020

- ▶ Ending Fund Balance \$2,240,826 (preliminary)
- ▶ 22% of the 2020 General Fund actual revenue
- ▶ Restricted amount \$119,536
- ▶ Remaining \$2,121,290 can be designated as Committed, Assigned or Unassigned
- ❖ **The Committed Fund Balance requires most binding formal action by the City Council (Ordinance)**

## General Fund – Committed Fund Balance

12/31/2020

- ▶ Council Budget Committee Meeting 2/2/2021
- ▶ Recommended \$465,000 to be committed for the following:
  - ▶ \$200K for accrued leave cash out payments for retiring employees
  - ▶ \$100K for vehicle replacement
  - ▶ \$100K for financial software/system upgrade
  - ▶ \$ 65K for police evidence garage
- ▶ Remaining \$1,656,290 be classified as unassigned
  - ▶ Replenish \$445K reserve used to balance the 2021 budget
  - ▶ Maintain the Council goal of 10% operating reserve (about \$1.0 Million)
  - ▶ Provides about \$182K cushion for any unexpected revenue shortfall or additional expenditures in 2021

## Recommend

## Additional Committed Ending Fund Balances 12/31/2020

### General Reserve Funds

### Governmental Restricted Funds

#### General Reserve Funds:

- ▶ \$ 28,520 for debt service (Dedicated Street)
- ▶ \$198,020 for future retiree leave cash out payments (Compensated Absences)
- ▶ \$101,107 for LEOFF 1 retiree medical & long-term care benefits (LEOFF 1 OPEB)
- ▶ \$108,178 for vehicle replacement (Automotive/Equipment Reserve)
  - ❖ *Any remaining fund balances in reserve funds are classified as "Assigned"*

#### Restricted Governmental Funds:

- ▶ \$ 71,563 for 2019 LTGO (Recreation Park Bond) debt service (Lodging Tax)
- ▶ \$130,196 for 2020 LTGO (Temp Fire Station Bond) debt service (1Q REET)
- ▶ \$ 75,131 for 2011 LTGO (City Hall Bond) debt service (1Q REET)
  - ❖ *Any remaining fund balances in these funds are classified as "Restricted"*

# Recommendations

## To Authorize

- ▶ **Fund Balance Commitments as provided in the Summary**
  - **\$465K from the General Fund**
  - **Remaining from other governmental funds**
- ▶ **City Manager to designate other fund balances as “Assigned”**
- ▶ **Pass Ordinance No. 1017-B on first reading**

### Summary of 2020 Year-End Committed Fund Balances

Amount	Purpose	Fund
\$ 398,020	Future retiree leave cash out payments	General Fund & Reserve Fund
\$ 208,178	Vehicle Replacement	General Fund & Reserve Fund
\$ 100,000	Financial software/system upgrade	General Fund
\$ 65,000	Police evidence garage	General Fund
\$ 25,520	Debt service payment	Dedicated Street Fund
\$ 101,107	LEOFF 1 retiree OPEB	LEOFF 1 OPEB Reserve Fund
\$ 71,563	2019 LTGO (Recreation Park Bond) debt service	Lodging Tax Fund
\$ 130,196	2020 LTGO (Temp Fire Station Bond) debt service	1st Quarter REET Fund
\$ 75,153	2011 LTGO (City Hall Bond) debt service	2nd Quarter REET Fund
<b>\$ 1,174,737</b>	<b>Total</b>	

**Questions or Comments?**