

RESOLUTION NO. 70-2018

Revising the General Fund Carryover Balance Policy
for the City of Worthington.

WHEREAS, the purpose of this policy is to provide a strategic, long-term approach to financial management in the City of Worthington; and,

WHEREAS, a General Fund Carryover Balance Policy assists the City in maintaining long-term financial stability through the development of an adequate fund balance and appropriate reserve account; and,

WHEREAS, the primary reason for the fund balance is to alleviate unanticipated short-term budgetary problems and have the resources available to effectively manage a disaster or emergency event.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Municipality of Worthington, County of Franklin, State of Ohio:

SECTION 1. After thoroughly discussing the memorandum from the City's Finance Director attached hereto as Exhibit A, that City Council hereby adopts the revised General Fund Carryover Balance Policy attached hereto as Exhibit B, amending the Policy adopted pursuant to Resolution No. 07-2014.

SECTION 2. That the Clerk of Council be and hereby is instructed to record this Resolution in the appropriate record book.

Adopted December 3, 2018

/s/ Bonnie D. Michael
President of Council

Attest:

/s/ D. Kay Thress
Clerk of Council



STAFF MEMORANDUM
City Council Meeting – December 3, 2018

Date: 11/30/2018

To: Matthew H. Greeson

From: Scott F. Bartter, Finance Director

Subject: **Resolution No. 70-2018 - General Fund Carryover Balance Policy**

EXECUTIVE SUMMARY

A revised General Fund Carryover Balance Policy has previously been distributed to Council. This revised policy increases the minimum General Fund balance to 35% of prior year expenditures (increased from 25%), incorporates a financial action plan in the event the City falls below the policy floor and directs the City Manager to hold a public discussion with City Council in the event the balance exceeds 50% of prior year expenditures.

RECOMMENDATION

Introduce and Approve as Presented

BACKGROUND/DESCRIPTION

During the 2018 City Council retreat, one of the “items on the table” was to review the current General Fund Carryover Balance Policy. As the current policy calls for a review every five (5) years, staff undertook a comprehensive review of the current policy. As part of that review, staff looked at the history of the current policy, the policies of comparable municipalities, Government Finance Officers Association best practices, and fund balance guidance as offered by the credit rating services.

In September 2018, staff distributed to Council a proposed new General Fund Carryover Balance Policy in conjunction with a staff memo which outlined both the City’s fund balance history and the rationale for many of the proposed changes.

Since September, staff has met with citizens who were interested in this subject, responded to questions proposed from both the citizenry and Council and revised the policy from the version as presented in September. These revisions include elimination of the required transfer to the capital fund when the balance exceeds 50%. This has been replaced with a City Council review of the financial landscape (revenue and expenditures projections) and

then determination of whether to spend a portion of the bund balance for one-time expenditures.

City of Worthington, Ohio
General Fund Carryover Balance Policy (Fall 2018 – Final Revised)

PURPOSE

A minimum fund balance policy assists the City of Worthington (the “City”) in maintaining the security of major operating funds and contributes to the financial stability of the City by maintaining adequate financial reserves. The minimum fund balance provides financial resources for the City in the event of an emergency or the loss or reduction of a major revenue source. The minimum fund balance policy will allow the Administration and Council to recognize and react to warning indicators of financial stress and set guidelines for proactive measures.

POLICY

At the time of budget preparation, planned appropriations shall be adjusted to ensure that the projected beginning fund balances are consistent with the established amounts as described in this policy.

GENERAL FUND

The minimum unencumbered cash balance in the General Fund will be an amount not less than 35% of prior year General Fund operating expenditures. The City intends to maintain a target unencumbered cash balance of between 35%-50% of prior year General Fund operating expenditures. This calculation shall be made to exclude any balance in a sub-fund utilized for the purpose of accounting for a 27th pay.

MONITORING

Fund balances will be monitored on a month-to-month basis. Monitoring projections will be based upon trend data. The fund balances may drop temporarily below the minimum level due to current operations or emergencies. Additional monitoring and reports will be done per the Financial Action Plan when required.

COMPLIANCE

If it is determined that the City cannot meet the requirements of this policy, the City Manager will include a concise statement in the City Manager’s proposed budget explaining the recommendation to waive the policy. The statement should include the present financial status of the City, a specified timetable for returning to the policy, and reason(s) given for overriding the policy. Should it be determined that the City will not be able to fall within conformance within one year, the Financial Action Plan will be implemented.

FINANCIAL ACTION PLAN

If it is determined that the General Fund will not be able to meet the required unencumbered cash balance, the financial action plan shall be implemented in various stages:

General Fund:

- A. Step I - Projected unencumbered cash balance drops between 25% and 35%.
 - 1. If the unencumbered cash balance drop in this range because of a one-time capital purchase, no action will be needed on the assumption that the reserves will be met within one year.
 - 2. If the unencumbered cash balance fall into this range due to recurring expenses, city officials shall during the budget process, reduce all possible appropriations. If this process brings the budget within the required 35% balance, no further action is required.
- B. Step 2 - Projected unencumbered cash balance drops between 15% and 25%.

1. If the unencumbered cash balance drops into this range, the City must take additional measures to limit expenditures and increase revenues.
2. The City Manager and his/her designees shall review all charges and fees and seek additional revenue sources.
3. The use of contractual employees and/or consultants will be closely scrutinized and discouraged.
4. Purchase of capital items shall only be made if absolutely necessary, provided that those purchases do not increase future operating costs.
5. The City will enact a hiring freeze for any additional personnel who are funded through this fund, unless there is a revenue generating program to pay for the individual(s), or if the hire will relieve unmanageable overtime.

C. Step 3 - Projected unencumbered cash balance drops below 15%.

1. Discuss revenue enhancements, tax levies, and reductions in programs and personnel.
2. All nonessential expenditures shall cease.
3. All nonunion wages may be frozen; a request for wage concessions from union employees may be made.
4. The Administration shall prepare a two-year budget projection to determine the long-term financial plan for recovery.
5. The Administration will evaluate and recommend the proposed action plan and present to the full Council for approval.

If it is determined that the General Fund unencumbered cash balance exceeds 50% of prior year expenditures, the following steps will be taken

General Fund:

A. Step 1 – Projected unencumbered cash balance exceeds 50%

1. The City Manager will schedule a discussion with City Council to review the current financial landscape, including revenue trends, future expenditure needs and projections for the unencumbered cash balance over the next five years. This discussion will include consideration of whether the City should use of a portion of the balance for one-time expenditures that would benefit the community.