



Budget Stabilization Fund

March 3, 2020



Mission

Deliver exceptional services to support a high quality of life and place for our community



Values

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople



Vision

Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government



Stabilization Funds

- Stabilization funds are called by many names including:
 - rainy day funds
 - unreserved
 - undesignated fund balances
 - contingency funds



Current General Fund Reserves

- Nonspendable Fund Balance
 - Either not in spendable form or legally or contractually required to be maintained intact
- Restricted Fund Balance
 - Cash Reserve Fund (Restricted by City Charter)
- Unassigned Fund Balance
 - Represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund

Governmental Accounting Standards Board (GASB)

Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions



(l. to r.) GASB Chairman David A. Vaudt, FAF President & CEO Teresa S. Polley, FASB Chairman Russell G. Golden

GASB Stabilization Arrangements

- Some governments formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise
- Those amounts are subject to controls that dictate the circumstances under which they can be spent
- Many governments have formal arrangements to maintain amounts for budget or revenue stabilization, working capital needs, contingencies or emergencies, and other similarly titled purposes



GASB Stabilization Arrangements

- The authority to set aside those amounts generally comes from statute, ordinance, resolution, charter, or constitution
- Stabilization amounts may be expended only when certain specific circumstances exist
- The formal action that imposes the parameters for spending should identify and describe the specific circumstances under which a need for stabilization arises

GASB Stabilization Arrangements

- Stabilization amounts should be reported in the general fund as committed in accordance to GASB statement 54, paragraph 10.
- “Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority should be reported as committed fund balance.”

Government Finance Officers Association (GFOA)

Recommended Budget Practices

4.1 Develop Policy on Stabilization Funds

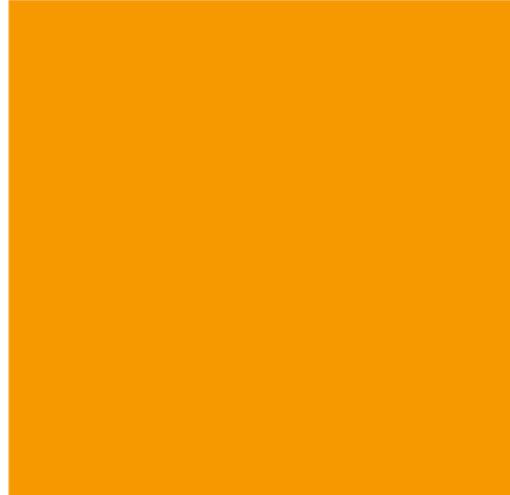


Policy on Stabilization Funds

- A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes
- Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees
- The policy should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used

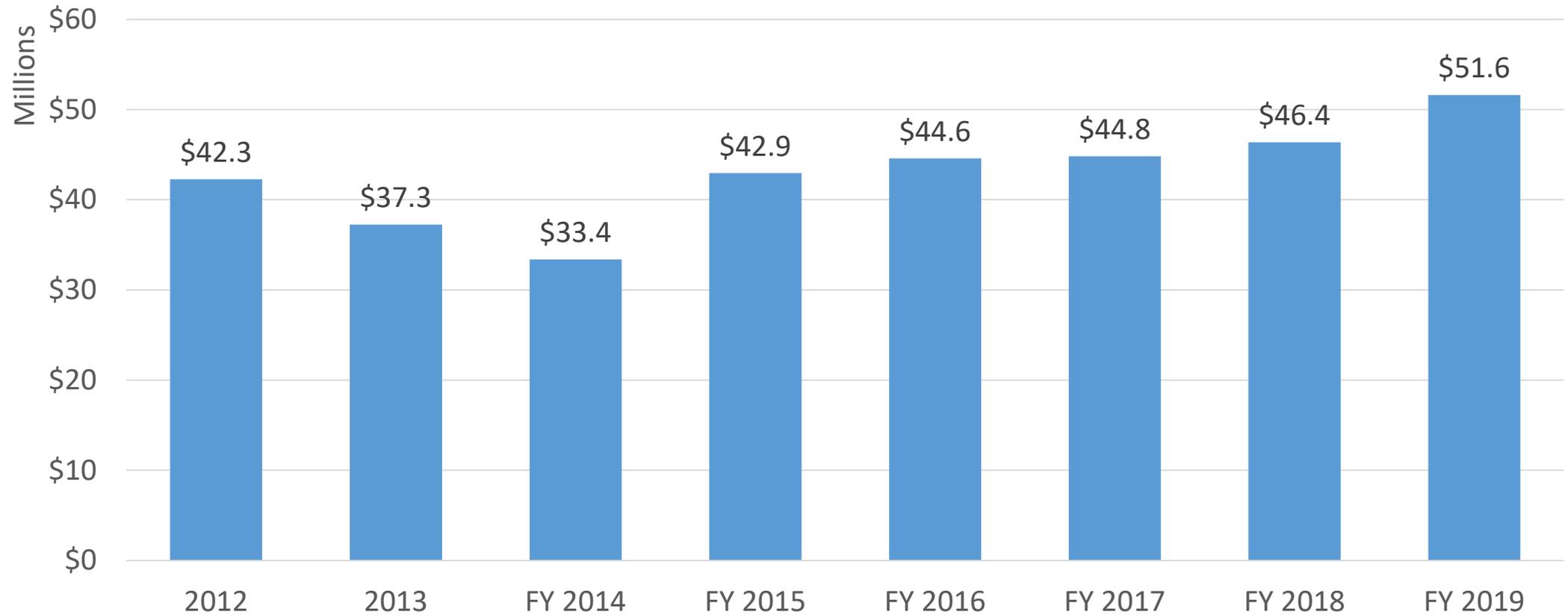
Policy on Stabilization Funds

- Policies on stabilization funds should be publicly available and summarized in materials used in budget preparation
- They also should be identified in other government documents, including planning and management reports



Total Fund Balance

General Fund



Recommended Budget Policy Amendment

Budget Stabilization Fund

- The City herein establishes a stabilization fund as a reserve of surplus revenues to be used with the purpose of:
 - minimizing future tax rate impact,
 - protecting against raising charges for services and fees and
 - providing available funding for specific circumstances or state of emergencies as determined by City Council

Recommended Budget Policy Amendment

Budget Stabilization Fund

- The amount of funds to be committed will be recommended by the Chief Financial Officer, or designee, to the City Council
- As part of the annual budget process, the City Council will have final approval of the planned use of the fund



Requested Council Action

- Amend the City of El Paso Budget Policies to establish a budget stabilization fund
- Commit \$2.7 million from FY 2019 (ending 8/31/2019) savings to the Budget Stabilization Fund

QUESTIONS?

