

Ongoing Operating vs. Unassigned Fund Balance

Saco's checking account
and savings account

4-18-2017

Saco's Unassigned Fund Balance Policy

- [Section 15 – Article IV](#)
- Findings
- The City's unassigned fund balance represents those funds held in reserve to cover unexpected expenditure needs and emergencies, revenue shortfalls and seasonal cash flow variations. The City Council has determined that maintenance of an adequate fund balance is essential to the financial health and security of the City of Saco.

Saco's Unassigned Fund Balance Policy

- Objective
- It is the policy objective of the City that the audited unassigned fund balance should be a maximum of 10% of the following year's general fund budget as adopted by the Saco City Council.
- The minimum unassigned fund balance should be set at one month's budgeted expenditures or 8.33% of the annual budget.

Bond Rating Agencies

- Best Practice: These agencies want to see a municipality carry a 16% to 20% unassigned fund balance.
- Since the school became a department of the city and carries the same Tax ID number, bonding agencies will look at the two funds as one.
- Saco is due for a bond rating evaluation in calendar year 2018. (CAFR 2017)

Saco's Unassigned Fund Balance with School Department

Ex. End of Fiscal Year 2015

General Fund Balance:	\$ 4,779,487
School Fund Balance:	\$ (943,314)
	<u>\$ 3,836,173</u>
FY16 Approved budget:	\$48,626,882

7.89%

Saco's Unassigned Fund Balance Policy

Ex. End of Fiscal Year 2016

General Fund Balance:	\$ 5,755,852
School Fund Balance:	<u>\$ (199,722)</u>
	<u>\$ 5,556,130</u>
FY17 Approved budget:	\$49,826,014

11.15%

A Council Approved Budget

Ex. Fiscal Year 2016

Approved amount: \$48,626,882

minus School Tax: \$21,761,343

\$26,865,539

minus County Tax: \$ 1,249,889

\$25,615,650

Municipal Budget

**Ongoing Operating Budget
(Checking Account)**

**Unassigned Fund Balance
(Savings Account)**

End of FY15				\$4,779,487
FY16 Budget	\$25,615,650			
End of FY16				
Under Expenditures	\$904,555			
Additional Revenue	\$1,280,479			
Other Uses/Transfers	\$(753,754)			
	<u>\$1,431,280</u>			
		Minus POs		\$976,365
		Minus Capital projects		\$5,755,852
FY17 Budget	\$26,345,119			\$(636,019)
	\$(636,019)			
FY17 Fund Balance Policy				\$(573,000)
End of FY17				
Under Expenditures	\$300,000	} \$750,000		\$750,000
Additional Revenue	\$450,000			
				\$5,296,833
				<u>\$(183,870)</u> Proposed FY18
				\$5,112,963

Municipal Budget

Ongoing Operating Budget (Checking Account)

Unassigned Fund Balance (Savings Account)

End of FY15			\$4,779,487
FY16 Budget	\$25,615,650		
End of FY16			
Under Expenditures	\$904,555		
Additional Revenue	\$1,280,479		
Other Uses/Transfers	\$(753,754)		
	<u>\$1,431,280</u>		<u>\$976,365</u>
			\$5,755,852
FY17 Budget	\$26,345,119		\$(636,019)
	\$(636,019)		
FY17 Fund Balance Policy			\$(573,000)
End of FY17			
Under Expenditures	\$300,000	} \$750,000	<u>\$750,000</u>
Additional Revenue	\$450,000		\$5,296,833
			<u>\$(183,870)</u>
			\$5,112,963

Unassigned Fund Balances

	General Fund (City Savings Account)	School Operations Fund (School Savings Account)
End of FY15	\$4,779,487	\$(912,501)
FY16 Budget		
End of FY16		
Under Expenditures		\$160,872
Additional Revenue		\$584,197
Other Uses/Transfers		\$ (32,290)
	<u>\$976,365</u>	<u>\$712,779</u>
	\$5,755,852	\$(199,722)
FY17 Budget	\$(636,019)	
FY17 Fund Balance Policy	\$(573,000)	
End of FY17		
Under Expenditures		\$(1,109,963)
Additional Revenue	<u>\$750,000</u>	<u>\$573,000</u>
	\$5,296,833	
	<u>\$(183,870)</u>	
	\$5,112,963	\$(536,963)

	End of FY17	
	Projected	\$(160,000)
	Owed to TA (FY16)	\$(232,142)
	Owed to TA (FY17)	\$(518,099)

Note: The projected end of FY17 balance for the School Operations Fund, including owed amounts, is highlighted in red in the original image.

Unassigned Fund Balances

What the bond rating agencies consider

\$4,576,000 Projected fund balance

\$51,830,303 FY18 Proposed
expenditure budget*

8.83%

*includes the 500k of additional expenditures related to TIF districts as well as the recent saving in school health insurance \$(536,963)
\$5,112,963

That was a lot of information Kevin.

What's your point?

- City staff have worked hard to maintain city service levels while creating a healthy fund balance within our policy.
- After paying the school's outstanding obligations this year, we will be close to our fund balance policy minimum.
- The tighter the budget becomes, the more difficult it will be for us to save money. Because of this and beyond what is currently proposed, staff would not recommend using any additional fund balance to cover the school deficit.