



City of Reedley
Administrative Services Department
845 "G" Street
Reedley, Ca 93654

DATE: August 28, 2017
TO: Nicole R. Zieba, City Manager
FROM: Paul A. Melikian, Assistant City Manager *PM*
SUBJECT: **Annual Review of Fund Balance Policies for General Fund Reserve & Enterprise Funds**

General Fund Reserve

Resolution 2014-027, adopted by the City Council on April 8, 2014 established a fund balance policy for the City to work towards and maintain a minimum level of cash on hand, equivalent to 60 days operating expenditures, in the City's General Fund Reserve (Fund 002). The value of two months of operating expenditures to be held in the General Fund Reserve is to be re-calculated every July, at the close of the previous fiscal year, and the 'cash on hand' in the General Fund Reserve fund is the valuation measure to determine the target reserve fund balance. The average monthly expenditures from the General Fund for the 2016-17 fiscal year were **\$697,547**, therefore the 60-day reserve threshold amount is now **\$1,395,095**. As of June 30, 2017, the cash on hand in the General Fund Reserve fund is **\$1,332,467**. Therefore, the cash on hand is **\$62,628** (or 4.49%) short of meeting the target as set forth in the policy, as detailed in the attached spreadsheet. The review for last fiscal year, dated February 24, 2017, communicated that the cash on hand as of June 30, 2016 was **\$39,178** (or 2.99%) short of meeting the target as set forth in the policy.

This annual review reflects only a certain point in time, and does not include any possible/budgeted contributions to, or uses of, the General Fund Reserve that may occur during the 2017-18 fiscal year.

Utility Enterprise Funds

Resolution 2014-017 adopted February 25, 2014, established a policy for the City to maintain a minimum level of working capital, equivalent to 45 days operating expenditures, in the City's Water, Wastewater, and Solid Waste enterprise operations. Monthly operating expenditures excludes capital outlay, debt service and depreciation expense. The minimum 45-day reserve threshold amount is now:

- \$292,807 for the Water Enterprise Funds (048, 049 & 050)
- \$319,894 for the Wastewater Enterprise Fund (051 & 052)
- \$379,333 for the Solid Waste Enterprise Fund (053 & 054)

Working capital, defined as current assets less current liabilities, includes both operating and capital set aside funds. All three enterprise operations exceed the reserve threshold set by resolution as of June 30, 2017, as detailed in the attached spreadsheet. This annual review reflects only a certain point in time, and does not include any revenue shortfalls or expenditure activity that may occur during the course of the 2017-18 fiscal year that may cause the Enterprise funds to fall out of compliance with the policy. It is recommended that City Departments/Divisions utilizing enterprise funds for large capital or equipment acquisition projects consult with the Administrative Services Department **prior to** making purchasing decisions to ensure that adequate working capital is available after the expenditure(s) is made.

C: Department Heads

Attachment

ANNUAL RESERVE POLICY CALCULATION

FISCAL YEAR 2016-17

001 & 002 GENERAL FUND & GENERAL FUND RESERVES		JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Monthly Expenditures*		\$ 657,763	\$ 711,417	\$ 659,661	\$ 672,457	\$ 652,201	\$ 973,468	\$ 656,210	\$ 506,675	\$ 642,007	\$ 600,248	\$ 637,282	\$ 1,001,181
Average Monthly Expenditure	\$ 697,547												
60-Day Reserve Threshold Amount - per Resolution 2014-027	\$ 1,395,095												
Cash For Fund 002 General Fund Reserves of June 30 2017***	\$ 1,332,467												
<i>Cash on Hand does NOT meet Reserve Threshold Set By Resolution</i>	<i>\$ (62,628)</i>												

050 WATER ENTERPRISE FUND		JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Monthly Expenditures*		\$ 203,967	\$ 245,456	\$ 208,675	\$ 298,015	\$ 130,465	\$ 246,929	\$ 140,445	\$ 151,620	\$ 156,223	\$ 152,273	\$ 143,880	\$ 264,512
Average Monthly Expenditure	\$ 195,205												
45-Day Reserve Threshold Amount - per Resolution 2014-017	\$ 292,807												
Working Capital For Fund 050, 048 and 049 as of June 30 2017**	\$ 386,663												
<i>Working Capital Exceeds Reserve Threshold Set By Resolution</i>	<i>\$ 93,856</i>												

052 WASTEWATER ENTERPRISE FUND		JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Monthly Expenditures*		\$ 179,037	\$ 160,326	\$ 229,522	\$ 176,186	\$ 167,078	\$ 361,361	\$ 236,713	\$ 192,011	\$ 217,250	\$ 153,832	\$ 193,698	\$ 292,141
Average Monthly Expenditure	\$ 213,263												
45-Day Reserve Threshold Amount - per Resolution 2014-017	\$ 319,894												
Working Capital For Fund 052 and 051 as of June 30 2017**	\$ 4,216,362												
<i>Working Capital Exceeds Reserve Threshold Set By Resolution</i>	<i>\$ 3,896,468</i>												

053 SOLID WASTE ENTERPRISE FUND		JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Monthly Expenditures*		\$ 243,900	\$ 192,960	\$ 245,042	\$ 278,320	\$ 204,433	\$ 375,169	\$ 223,640	\$ 229,682	\$ 269,955	\$ 229,534	\$ 215,165	\$ 326,866
Average Monthly Expenditure	\$ 252,889												
45-Day Reserve Threshold Amount - per Resolution 2014-017	\$ 379,333												
Working Capital For Fund 053 and 054 as of June 30 2017**	\$ 655,856												
<i>Working Capital Exceeds Reserve Threshold Set By Resolution</i>	<i>\$ 276,523</i>												

* Excludes capital outlay, debt service and depreciation expense

** Includes both Enterprise Fund and associated Capital Set-Aside Fund

*** Excludes Cash On Hand for General Fund 001



Paul A. Melikian, Assistant City Manager