

Memorandum



CITY OF DALLAS

DATE August 23, 2024

TO Honorable Members of the Government Performance and Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, and Jaime Resendez

SUBJECT **FY 2024-25 General Fund Reserves**

In lieu of a committee briefing we are pleased to present the status of General Fund Reserves. The attached materials provide the Financial Management and Performance Criteria (FMPC) for each reserve, compliance details, and the FY 2023-24 forecast and FY 2024-25 proposed funding levels maintained in each reserve.

Please contact me or Janette Weedon, Director of Budget & Management Services if you have any questions.

A handwritten signature in blue ink that reads "Jack Ireland".

Jack Ireland
Chief Financial Officer

[Attachments]

c: Kimberly Bizzor Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors



City of Dallas

General Fund Reserves

**Government Performance &
Financial Management
August 26, 2024**

Janette Weedon, Director
Ivan Guel, Assistant Director

Budget & Management Services

Purpose



- Provide update of General Fund Reserves
- Review City's Financial Management Performance Criteria (FMPC) that govern reserves



Background



- City Council initially adopted FMPC in 1978 to set financial policies and standards to guide decision making
 - Most recent update – August 10, 2022
 - Potential Changes to FMPC will be briefed to GPFM Fall 2024
- FMPC contains 55 criteria in 7 categories
 1. Operating Program
 2. Pension Program
 3. Budgeting and Planning
 4. Capital and Debt Management
 5. Economic Development
 6. Accounting, Auditing, and Financial Planning
 7. Grants and Trusts
- Dallas Water Utilities has a separate set of 13 criteria



General Fund Reserve



- Fund balance represents the difference between fund's assets and liabilities and serves as measure of available resources in fund
 - Reported annually in the City's Annual Comprehensive Financial Report
 - Adjusted each year by difference between revenues and expenditures
- “Reserves” is a policy term that describes the fungible resources available for use if the resources appropriated in the annual budget are insufficient



General Fund Reserve



- The City maintains four criteria related to fund balance
 1. Unassigned Fund Balance (Criteria 2)
 2. Contingency Reserve (Criteria 3)
 3. Emergency Reserve (Criteria 4)
 4. Operating (Risk) Reserve (Criteria 5)



General Fund Reserve



- Unassigned Fund Balance (Criteria 2)
 - Required to be maintained at a level not less than 50 days and not more than 70 days of the General Fund operating expenditures less debt service
 - Fund balance more than 70 days used for one-time or non-recurring costs
 - Includes Emergency Reserve and Contingency Reserve; does not include Risk Reserve
 - FY25 Unassigned Fund Balance is \$340.4M (17.9% of General Fund expenditures; and 65.3 days)



General Fund Reserve



- Unassigned Fund Balance (Criteria 2)

(In Millions)	FY 2023-24 Forecast* (5/31/24)	FY 2024-25 Proposed Budget
Unassigned Fund Balance	\$340.4	\$340.4
General Fund Expenditure	\$1,841.2	\$1,902.7
Percent of General Fund Expenditure	18.5%	17.9%
Days of Reserve	67.5	65.3

*FY24 Forecast based on May 2024 forecast published in City Manager's Recommended FY 2024-25 Budget



General Fund Reserve



- Contingency Reserve (Criteria 3)
 - Provide for unanticipated needs that arise during the year
 - Funds are allocated from contingency reserve only after analysis by the City Manager and City Council approval
 - Maintain at a level ranging from 0.5% to 1.0% of General Fund operating expenditures less debt service
 - Would be used before of Emergency Reserve
 - FY25 Contingency Reserve level is \$10.3M (0.5% of the FY25 General Fund budget)



General Fund Reserve



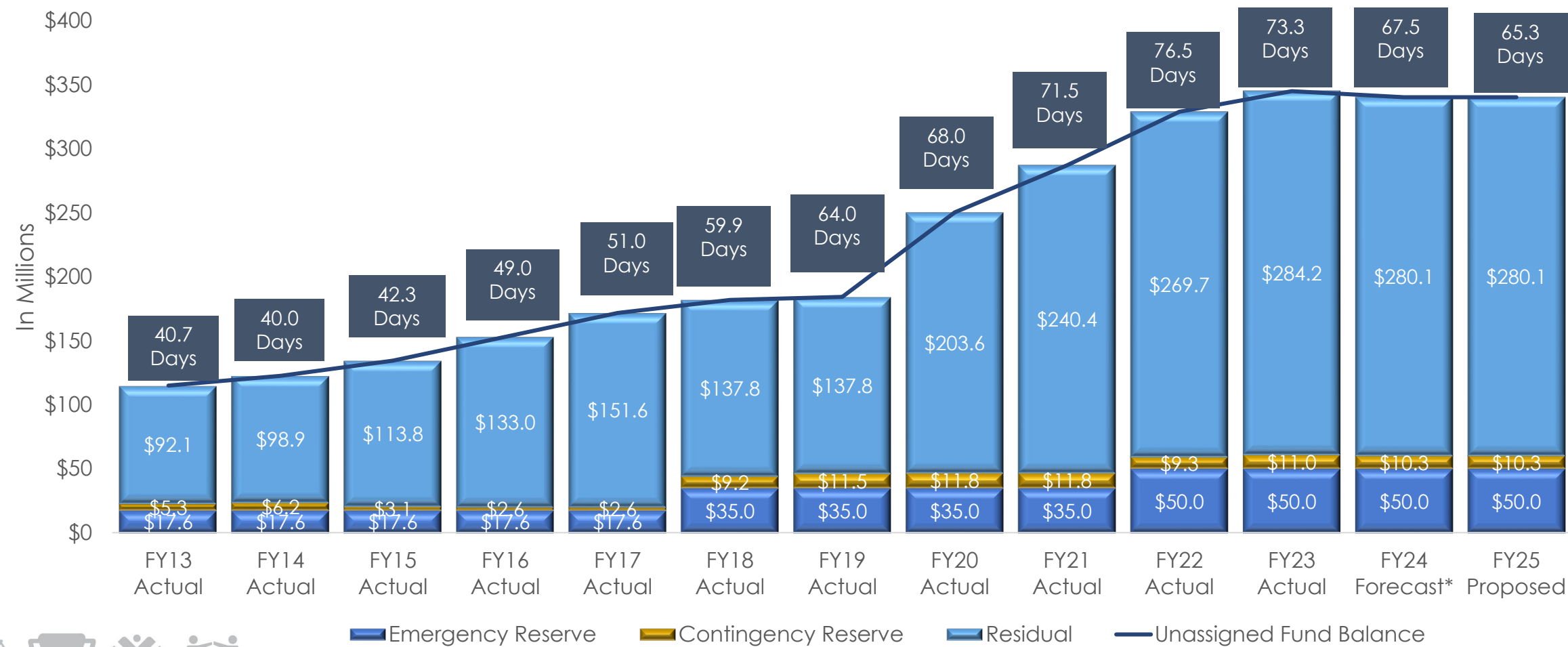
- Emergency Reserve (Criteria 4)
 - Provide for unanticipated or unforeseen extraordinary needs of an emergency nature, costs related to natural disaster or calamity, a 5% decline in property values, or unexpected liability created by federal or state legislative action.
 - Designate up to 5% of General Fund operating expenditures less debt service but not less than \$50 million
 - Use requires approval of a supermajority of City Council
 - FY25 Emergency Reserve level is \$50M



General Fund Reserve



FMPC Reserves (In Millions)



*FY24 Forecast based on May 2024 – City Manager's Recommended Budget for FY25

History of General Fund Reserve



- Unassigned Fund Balance
 - Increased from “Not less than 30 days” to “Not less than 40 days” on December 13, 2017
 - Increased from “Not less than 40 days” to “Not less than 50 days and not more than 70 days” on June 9, 2021
- Emergency Reserve
 - Established “20% of the General Fund unassigned fund balance but not less than \$25 million” as the designated amount and established “super-majority of City Council” for usage on December 13, 2017. No amount designated prior to this date.
 - Increased from “20% of the General Fund unassigned fund balance but not less than \$25 million” to “5% of General Fund operating expenses but not less than \$50 million” on June 9, 2021



General Fund Reserve



- Operating (Risk) Reserve (Criteria 5)
 - Required to be maintained at a level, which together with purchased insurance policies, adequately protects City's assets against loss
 - Analysis conducted every three years or when the deductible level of the City's property insurance is modified (whichever is earlier) to determine the appropriate level of this reserve
 - Separate from unassigned fund balance
 - FY25 Risk Reserve level is \$6.6M



Next Steps



- Feedback on current General Fund Reserves
- Continue evaluation of FMPC for compliance during annual budget development, and year-end





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