

# Memorandum



CITY OF DALLAS

DATE August 31, 2018

Honorable Members of the Government Performance & Financial Management  
Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee  
TO M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **FY 2018-19 General Fund Reserve**

On Tuesday, September 4, 2018, Jack Ireland, Director of the Office of Budget, will brief the Government Performance & Financial Management Committee on the FY 2018-19 General Fund Reserve. The briefing materials are attached for your review.

Please contact me if you have any questions or concerns.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich  
Chief Financial Officer

[Attachment]

c: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billerae Johnson, City Secretary  
Judge Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Directors and Assistant Directors

# **FY 2018-19 General Fund Reserve**

**September 4, 2018**

**Jack Ireland, Director  
Office of Budget**

**Janette Weedon, Assistant Director  
Office of Budget**



# Purpose

- Review background of City's Financial Management Performance Criteria (FMPC)
- Provide update of FMPC for General Fund reserve requirements



# Background

- City Council initially adopted FMPC in 1978 to set financial policies and standards and to guide decision making
- FMPC contains 54 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



# Background

- FMPC is evaluated for compliance during budget preparation, mid-year, year-end, and for each debt issuance
- Council periodically reviews and updates criteria
  - Last FMPC update was approved by City Council on December 13, 2017

# Background – Fund Balance

- Fund balance represents the difference between fund's assets and liabilities and serves as measure of available resources in fund
  - Reported annually in City's Comprehensive Annual Financial Report (CAFR)
  - Adjusted each year by difference between revenues and expenditures



# Background – Fund Balance

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



# FMPC Reserve Requirements

- Criteria #5 – Risk Reserve
  - 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)
  - FY 2018-19 Risk Reserve is \$1.3 million (assigned fund balance)



# FMPC Reserve Requirements

- Criteria #4 – Emergency Reserve
  - Required to be maintained at a level up to 20 percent of General Fund projected unassigned fund balance but not less than \$25 million
  - Funds may be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature
  - Use of Emergency Reserve requires authorization by City Council resolution
  - Any use must be replenished in next fiscal year
  - FY 2018-19 Emergency Reserve is \$35.0 million

# FMPC Reserve Requirements

- **Criteria #3 – Contingency Reserve**
  - Required to be maintained at a level ranging from 0.5% to 1% of budgeted departmental expenditures
  - Funds are allocated from contingency reserve only after analysis by the City Manager and City Council approval
  - Funds allocated each year in the budget process to replace any use of Contingency Reserve funds during the preceding fiscal year

# FMPC Reserve Requirements

- Criteria #3 – Contingency Reserve
  - FY 2018-19 Contingency Reserve balance is \$11.5 million or 0.85% of proposed General Fund budget expenditures
    - \$9.2 million remaining balance from FY 2017-18
    - \$2.3 million included in FY 2018-19 proposed General Fund expenditures

# FMPC Reserve Requirements

- Criteria #2 – Unassigned fund balance
  - Required to be maintained at a level not less than 40 days of the General Fund operating expenditures less debt service
  - Includes the Emergency and Contingency Reserves; does not include Risk Reserve

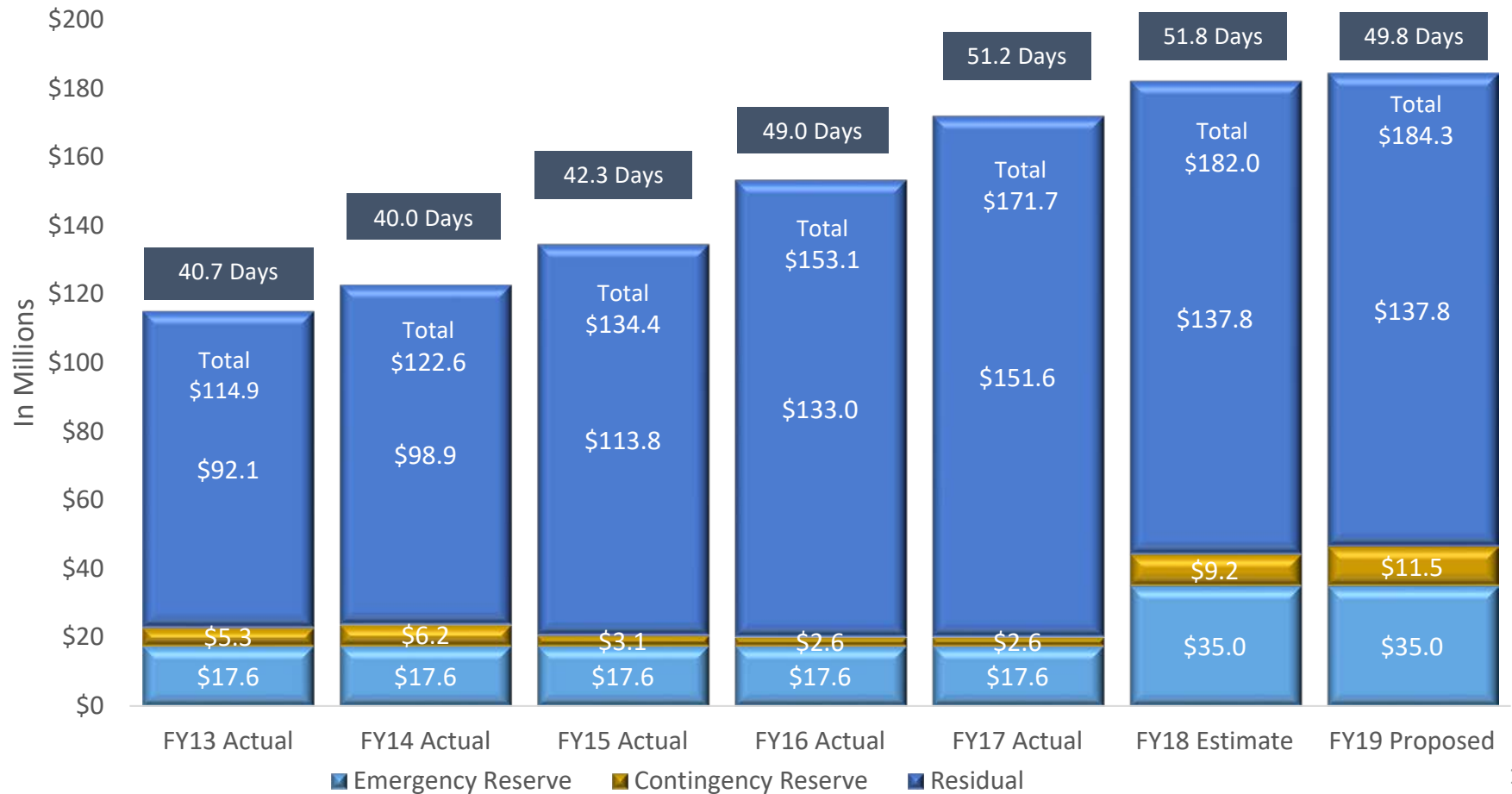


# FMPC Reserve Requirements

- Criteria #2 – Unassigned fund balance

(In Millions)	FY 2018-19 Proposed
FY 2018-19 Unassigned fund balance	\$184.3
FY 2018-19 proposed General Fund expenditure	\$1,351
40 days of General Fund operating expenditure – minimum requirement	\$148.1
Percent of general fund expense	13.64%
Days of reserve	49.8

# FMPC Reserve Requirements (In Millions)



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