

**KENAI CITY COUNCIL JOINT WORK SESSION  
FUND BALANCE POLICY  
FEBRUARY 28, 2017 – 6:00 P.M.  
KENAI CITY COUNCIL CHAMBERS  
MAYOR GABRIEL, PRESIDING**

**NOTES**

Council present: R. Molloy, B. Gabriel, H. Knackstedt and T. Navarre

Others present: City Manager P. Ostrander, City Clerk S. Modigh, City Attorney S. Bloom and Finance Director T. Eubank

Mayor Gabriel began the work session at approximately 6:00 p.m. advising the work session was called to discuss the proposed Fund Balance Policy recommended by Administration. Mayor Gabriel added an additional Public Comment period at the end of the meeting.

City Manager Ostrander advised that the purpose of a fund balance policy is to ensure that there will be adequate liquid resources to serve the financial “cushion” against the potential shock of unanticipated circumstances and events (e.g. revenue shortfalls and/or unanticipated expenditures). The Policy ensures that the accumulation of resources does not become excessive. Development of a Fund Balance Policy by a government is a recommended best practice of the Government Finance Officers Association of the United State and Canada (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB).

Finance Director Eubank presented a PowerPoint presentation to further explain the proposed Policy.

Eubank advised that the Fund Balance does not represent cash savings. Eubank further advised that the fund balance is a surplus of funds accrued from unexpended operating budgets and unanticipated revenues. It’s calculated as the difference between the assets and liabilities reported in a governmental fund. The fund balance consists of five classifications that comprise a heirarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent. The five classifications of fund balance applicable to the General Fund pursuant to GASB 54 are as follows:

Restricted Fund Balance Components:

- Nonspendable fund balance
- Restricted fund balance

Unrestricted Fund Balance Components:

- Committed fund balance
- Assigned fund balance
- Unassigned fund balance

Eubank noted that the key components to a functioning Fund Balance Policy are determining the appropriate level of Fund Balance to be maintained in the Fund (generally a range showing a minimum and maximum amount); circumstances when amounts above the maximum, between the maximum and minimum, or below the minimum can be “spent down”; and the policy for replenishing deficiencies.

At a minimum, GFOA recommends not less than two months of operating revenues or expenditures. GFOA further recommends adjustment to that two months for each governments specific exposure to the following:

- Significant volatility in revenues or expenditures;
- Potential drain on resources from other funds facing financial difficulties;
- Exposure to natural disasters;
- Reliance on a single taxpayer or industry;
- Rapidly growing budgets; or
- Disparities in timing between revenue collections an expenditures.

Eubank advised that the City devised a policy more conservative than the GFOA by creating a minimum of three months and a maximum of 4 months in the fund balance. Eubank explained his methodology of creating the numbers in the best interest of the City.

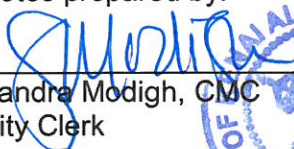
Mayor Gabriel recommended that Administration reach out to the Councilors not in attendance to provide an overview of the information presented at the work session and allow for questions.

Council thanked Administration for their efforts on this policy and presentation ads spoke in favor of the policy and code amendments.

Councilors requested that the volatility timeline be reduced to a 20 year period analysis moving forward. It was also requested that the Administration provide recommendations on spending fund balance.

The work session adjourned at 7:45 p.m.

Notes prepared by:

  
Sandra Modigh, CMC  
City Clerk

