



Council Agenda Report

Item 5f

Department: Finance
Cost Center: 2001
For Agenda of: 6/1/2021
Placement: Consent
Estimated Time: N/A

FROM: Brigitte Elke, Finance Director
Prepared By: Brigitte Elke, Finance Director

SUBJECT: ADOPT THE FUND BALANCE AND RESERVE POLICY

RECOMMENDATION

Adopt a Resolution entitled, “A Resolution of the City Council of the City of San Luis Obispo, California, adopting a Comprehensive Fund Balance and Reserve Policy” according to Governmental Accounting Standard Board Statement No. 54.

DISCUSSION

Background

Over many years, the City of San Luis Obispo has established a comprehensive and extensive budget and financial policy framework. This framework is reviewed with each Financial Plan and periodically amended based on the need of the organization as well as changes in mandates and best practices.

In 2009, the Governmental Accounting Standard Board (GASB) introduced GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The statement’s objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be applied consistently. The classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in its governmental funds.

In order to apply GASB 54, staff amended the established policies and combined them into a stand-alone comprehensive policy document for easy access and reference. The City’s Financial Plan will continue to feature the information within budget and financial policy and reference the adopting resolution and the fund balance and reserve policy document that will be posted online. The City’s independent auditor will use the definitions of fund balance when providing the City’s annual audit and annual financial statements.

Previous Council or Advisory Body Action

The City Council adopts a two-year financial plan which includes the budget and financial policy framework. Resolution 11017 outlines the action taken by the Council and the policies are incorporated by inclusion in the Financial Plan document.

Policy Context

The City Council has adopted an extensive budget and financial policy framework. Section 9 of the Financial Policies within the last adopted Financial Plan outline Fund Balance and Reserve Levels. However, those policies have never incorporated the GASB 54 terminology regarding the levels of fund balance.

Public Engagement

This item is part of the public City Council meeting on June 1, 2021. The public can partake and provide comment during this session.

ENVIRONMENTAL REVIEW**FISCAL IMPACT**

Budgeted: No
Funding Identified: n/a

Budget Year: 2021-22

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$	\$	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$	\$	\$	\$

Adopting the fund balance and reserve policy does not have a direct fiscal impact. However, it defines the fund balance in accordance with GASB 54 and, with it, the action required to access fund balance.

ALTERNATIVES

The City Council could choose not to adopt the resolution and the comprehensive fund balance and reserve policy. This is not recommended as current policies do not properly define the different levels and restrictions placed on fund balance by GASB 54.

ATTACHMENTS

- A – Draft Resolution
- B – Fund Balance & Reserve Policy