COUNTY AGENDA REQUEST

Department:	Finance	Presenter(s):	Toni Jo Howard
Meeting Date:	Thursday, August 25, 2011	Type of Request:	Consent

Wording for the Agenda:

Approval of staff's recommendation to adopt Policy No. 300.07 which amends the County's Reserve Fund Policy in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 54.

Background/History/Details:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, with which Fayette County must comply. This statement requires changes in references and terminology related to the maintenance of the County's reserve fund.

The County's Policies and Procedures Manual contains a series of policies related to the County's financial operation. Policy number 300.07, known as the Reserve Fund Policy, needs to be updated in order to comply with the new requirements of GASB.

This issue was discussed a the Board's August 11 meeting where Commissioners agreed that additional clarification was needed to define "disasters". This version of the document reflects that additional language.

What action are you seeking from the Board of Commissioners?

Approval of staff's recommendation to adopt Policy No. 300.07 which amends the County's Reserve Fund Policy in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 54.

If this item requires funding, please describe:

Not Applicable.

Has this request been considered within the past two years?	No	If so, when?	Thursday, August 11, 2011
Is Audio-Visual Equipment Required for this Request?	No	Backup Provided with Request?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing	Not Applicable	County Clerk's Approval	Yes
Administrator's Approval	Yes		

Staff Notes:

FISCAL POLICIES
Reserve Funds-Updated
300.07

PURPOSE

The county will maintain a sufficient working capital reserve in the general, fire, EMS, and E911 funds to help offset economic downturns, provide sufficient working capital and provide for sufficient cash flow for current financial needs. In addition, the county will maintain an emergency fund reserve in the general fund.

POLICY

There shall be a consistent and uniform process for maintaining working capital and emergency fund reserves for Fayette County.

PROCEDURE

The County will maintain a working reserve equal to at least three months of the fund appropriations budget for the general, fire, EMS, and E911 funds. This amount will be maintained as stabilization funds in the committed fund classification, except for E911 which will be maintained within the restricted fund classification. These reserves shall be created and maintained to provide the capacity to:

1. Offset significant economic downturn and the revision of any general government activity;
2. Provide sufficient working capital; and
3. Provide a sufficient cash flow for current financial needs at all times without short-term borrowing.

To be able to use funds that are committed for stabilization, the Board of Commissioners must take formal action to release funds. This type of action will only be taken when failure to take such action would result in a negative position for the unassigned fund balance.

In addition to the working capital reserves, the County will also maintain a $2 million emergency funding in the assigned fund classification. The emergency funding will only be used for natural or man-made disasters. The funds will not be released without formal action of the Board of Commissioners.

The county will also maintain reserves in compliance with all debt service requirements to maintain bond ratings and the marketability of bonds. The county will develop capital reserves to provide for normal replacement of existing capital plant and additional capital improvements financed on a pay-as-you-go basis.