Fund Balance Policy

Financial Reserve Policy

At the November 2018 Council meeting it was suggested that staff review the policy which guides the minimum amount we maintain in our fund balance since the current policy was established over ten (10) years ago.

Background

The current policy was adopted in 2008 and reads:

"The Fund Balance target…should be…three years' worth of operational expenses not covered by recurring revenues."

Recurring revenues traditionally are annual revenue streams without an end date from:
- Dues from State and Local Governments
- Federal Department of Highways (MPO, VDRPT, Rural Planning)
- Services Authority
- Ride Solutions
- Radio Board
- Workforce Investment and Opportunity Act

The fund balance itself is not reserved for any specific program. These are undesignated funds that the PDC can use as it sees best. These monies come from the difference between the PDC's overall revenues and expenditures annually.

Recommended Policy:

The Planning District Commission should maintain a financial reserve of eight (8) months of Planning District Commission expenditures. For FY 18-19, the budgeted PDC expenditures are $859,735, shown on our budget as "Salary/Fringe Benefits and Office Expenses".

Eight months of the FY 18-19 budgeted expenditures would be $573,157.

Moving to a threshold based on PDC expenditures is a simpler methodology than the current "operational expenses not covered by recurring revenues".

If we lose one or more of the recurring revenue sources, eight months is adequate for us to either find a replacement revenue source or reduce expenditures appropriately.