



Office of the County Executive Monroe County Legislature

July 10, 2023

To The Honorable
Monroe County Legislature
407 County Office Building
Rochester, New York 14614

OFFICIAL FILE COPY	
No.	<u>230247</u>
Not to be removed from the Office of the Legislature Of Monroe County	
Committee Assignment	
WAYS & MEANS	-L

Subject: Establishing a Fund Balance Policy

Honorable Legislators:

We recommend that Your Honorable Body establish a fund balance policy to safeguard against changes in local economic conditions and/or state policy that may result in revenue shortfalls, and the negative impact of emergencies, disasters, or other catastrophic one-time expenditures.

Since adopting the 2017 operating budget, Your Honorable Body has been annually re-affirming an informal fund balance policy – a financial strategy – that establishes a lower and upper dollar threshold of the combined assigned and unassigned fund balance categories within the general fund. The dollar value of those thresholds have been subsequently modified several times, and while the current financial strategy includes recommended uses for fund balances in excess of the upper threshold, it does not include any recommendations for action should fund balances fall below the lower threshold.

Budget sequestration at the state and federal levels within the past decade and two recent intercepts of local sales tax for state purposes highlighted the importance of financial planning, but the onset of the COVID-19 pandemic cemented the need for local governments to not only plan for, but actually build, financial resiliency.

Maintaining an adequate fund balance can do more than provide financial resiliency, it can provide residents with longer-term property tax stability. Lacking an adequate fund balance, emergencies, disasters, and changes in economic conditions otherwise force local governments into choosing between dramatic tax increases or dramatic reductions in services. An adequate fund balance also provides the County borrowing stability within the investing community. The level of fund balance and the ability to maintain that balance has become a significant factor in determining the County's credit rating, which in turn factors into the County's ability to access financial markets, the demand for County bonds, and ultimately the amount of interest expense the County incurs.

The fund balance policy detailed in Attachment A formalizes the financial strategy for fund balance described in the annual budget book. It replaces the lower and upper dollar thresholds with a corresponding ten percent (10%) of the all-funds adopted budget, provides guidance for using excess balances, and recommends actions to remediate shortfalls in balances.

The specific legislative action required is to establish a fund balance policy, as detailed in Attachment A.

This action is a Type II Action pursuant to 6 NYCRR §617.5(c)(26) ("routine or continuing agency administration and management, not including programs or major reordering of priorities that may affect the environment") and is not subject to further review under the State Environmental Quality Review Act.

Establishing a fund balance policy will have no impact on the revenues or expenditures in the current Monroe County budget.

We recommend that this matter be referred to the appropriate committee(s) for favorable action by Your Honorable Body.

Sincerely,



Adam J. Bello
Monroe County Executive



Sabrina LaMar
Monroe County Legislature
President



Steve Brew
Monroe County Legislature
Majority Leader



Yversha Roman
Monroe County Legislature
Minority Leader



Blake Keller
Monroe County Legislator
District 1



Jackie Smith
Monroe County Legislator
District 2



Tracy DiFlorio
Monroe County Legislator
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Frank X. Allkofer
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District 4



Richard B. Milne
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District 5



Sean McCabe
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District 6



Kirk Morris
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District 7



Mark Johns
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District 8



Paul Dondorfer
Monroe County Legislator
District 9



Howard Maffucci
Monroe County Legislator
District 10



Susan Hughes-Smith
Monroe County Legislator
District 14



Maria Vecchio
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District 17



Robert Colby
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Ricky Frazier
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Michael Yudelson
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Dave Long
Monroe County Legislator
District 16



Kathleen Taylor
Monroe County Legislator
District 19



Linda Hasman
Monroe County Legislator
District 23



William Burgess
Monroe County Legislator
District 29

Attachment A

Monroe County Fund Balance Policy

Purpose

The County of Monroe desires to establish a fund balance policy for the general fund to better manage its financial resources. Maintaining an adequate fund balance consistent with adopted policy can provide financial stability for both County government and property taxpayers by safeguarding against revenue shortfalls, emergencies, disasters, and other catastrophic one-time expenditures.

Background

In accordance with Government Accounting Standards Board (GASB) Statement 54, governmental fund balances will be classified into the specifically defined categories of non-spendable, restricted, committed, assigned, and unassigned. The last two categories – assigned and unassigned – are generally regarded as comprising “available” fund balance.

Non-spendable fund balance consists of amounts that are not in a spendable form (such as inventory and prepaid expenses) or are legally or contractually required to be maintained intact.

Restricted fund balance consists of amounts that are constrained to a specific purpose by debt covenants, by state or federal statute, or by other enabling legislation.

Committed fund balance consists of amounts constrained to a specific purpose by the County Legislature through adopted resolution. Amounts cannot be used for any other purpose unless the County Legislature takes the same action to remove or change the original constraint.

Assigned fund balance consists of amounts to be used for a specific intent, as identified by the Director of Finance-Chief Financial Officer, to whom the assignment of fund balance has been delegated.

Unassigned fund balance is the least restrictive of all categories of fund balance and consists of amounts that are not reportable in any other category.

When fund balances of more than one category are available for a specific purpose, it is the County’s practice to use the most restrictive fund balance first, in the following order: restricted, committed, assigned, and unassigned as they are needed.

Policy Statement

Monroe County will maintain an available general fund balance (the combined assigned and unassigned fund balance categories) to be within ten million dollars (\$10 million), plus or minus, of ten percent (10%) of the all-funds expenditures in the currently adopted operating budget.

The Director of Finance-Chief Financial Officer shall calculate annually, at the time audited financial statements are filed with the Clerk of the Legislature, compliance with this policy.

Available fund balance in excess of the maximum requirement may be used in subsequent budgets to provide property tax stability, capital project funding, and/or debt reduction, or for any other lawful purpose approved by the County Legislature.

In the event available fund balance falls below the minimum requirement, the Director of Finance-Chief Financial Officer shall prepare a plan to restore the available fund balance to the minimum requirement in the next budget year or other appropriate period of time.