

**THE BOARD OF COUNTY COMMISSIONERS OF
SANTA FE COUNTY**

RESOLUTION NO. 2015 - 84

**A RESOLUTION
ADOPTING THE SANTA FE COUNTY FUND BALANCE,
RESERVE, AND BUDGET CONTINGENCIES POLICY**

WHEREAS, the Government Finance Officers Association (GFOA) best practices recommend that governments establish a formal policy on the level of unrestricted fund balance that should be maintained; and

WHEREAS, governments are subject to risks associated with economic downturn, natural disaster and other unanticipated events; and

WHEREAS, it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks; and

WHEREAS, credit agencies monitor levels of fund balance and unrestricted fund balance to evaluate a government's continued creditworthiness; and

WHEREAS, during the recent bond issuance process, it was recommended by the credit rating agency that Santa Fe County establish a formal reserve policy, the result of which may be to improve the County's credit rating.

NOW, THEREFORE, BE IT RESOLVED, that the Board of County Commissioners of Santa Fe County hereby adopts the Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy attached hereto as Exhibit A.

PASSED, APPROVED, AND ADOPTED this 9th day of June, 2015.

**BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF SANTA FE**


Robert A. Anaya, Chairperson

ATTEST:



Geraldine Salazar, County Clerk

6-9-2015



SFC CLERK RECORD06/10/2015

APPROVED AS TO FORM:




Gregory S. Shaffer, County Attorney



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

BCC RESOLUTIONS
PAGES: 10

Hereby Certify That This Instrument Was Filed for
Record On The 10TH Day Of June, 2015 at 03:24:49 PM
and Was Duly Recorded as Instrument # 1766647
in The Records Of Santa Fe County

deputy  _____
Witness My Hand And Seal Of Office
Geraldine Salazar
County Clerk, Santa Fe, NM

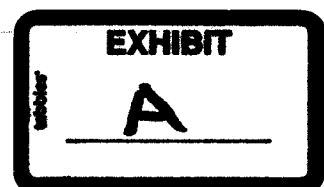
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Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy

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I. Overview

Fund Balance is the accumulated difference between assets and liabilities within governmental funds. A sufficient Fund Balance allows the County to meet its contractual obligations, provide funds for new and existing programs established by the Board, mitigate negative revenue implications of federal or state budget actions and economic downturns, fund disaster or emergency costs, provide funds for cash flow timing discrepancies, and fund non-recurring expenses identified as necessary by the Board. Establishing Reserve requirements will help the County manage the financial impact of major, nonrecurring or unforeseen expenditures on the County's annual operating budget. Additionally, this policy will establish requirements for replenishing Reserves if their depletion is authorized.

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, recommends that local governments establish a formal policy relating to the accounting and financial reporting of governmental Fund Balances. This policy defines the level of unrestricted Fund Balance that Santa Fe County shall strive to maintain for all government funds that support operations. This policy is intended to maintain the County's credit rating and a prudent level of unrestricted Fund Balance as Reserves to ensure the continued delivery of County services.

II. Applicability and Administration

This policy shall apply to all funds that support recurring operational expenditures, including the General Fund, some Special Revenue Funds and Enterprise Funds. The Reserve and other requirements established in this Policy are in addition to any Fund Balance requirements or constraints imposed by law, contract, or other sources outside this policy. This policy does apply to Debt Service Funds, the requirements of which are set forth in State law and bond documents.

This policy shall be administered on behalf of the Board by the County Manager, the Finance Director, and the Budget Administrator. By this policy, the Board delegates the authority to assign Fund Balance to the Finance Director with oversight and approval by the County Manager.

III. Definitions

A. Board: The Board of County Commissioners of Santa Fe County.

B. Governmental Funds: Governmental funds are often referred to as "source and use" funds. These are the funds through which most governmental functions typically are financed. The fund types included in this category are general, special revenue, capital projects, debt service, and special assessment funds.

C. General Fund: The General Fund provides funding for the operations of Elected Offices and County Departments that deliver ongoing services to County residents.



D. Special Revenue Funds: Funds used to account for revenue derived from specific taxes or other revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

E. Capital Improvement Funds: Funds include state appropriations, capital outlay gross receipt taxes and bond proceeds for road, fire, water and waste water, open space, facilities, and other capital projects.

F. Debt Service Fund: Fund accounts for all principal and interest payments on the County's debt.

G. Designee(s): Person authorized by the Board of County Commissioners to perform the responsibilities as outlined under this policy.

H. Enterprise Funds: Funds used to account for the financing, operation and maintenance of activities expected to be self-supporting within County government and that are exempt from GASB Statement No. 54. At the time of adoption of this policy, there are three Enterprise Funds for: (i) the operation of the Regional Planning Authority; (ii) the water and wastewater utilities; and (iii) the Santa Fe County Housing Authority.

I. Fund Balance: Fund balance is defined as the difference between the assets and liabilities of a fund. It is used as a measure of the amount available to budget or spend in the future.

J. Fund Balance Classifications:

1. **Nonspendable:** Represents amounts that are not in a spendable form, cannot be spent, or are required by legal or other contractual reasons to be maintained intact.
2. **Restricted:** Amounts that are constrained by external providers, creditors, grantors and other governments, constitutionally, or through legislation.
3. **Unrestricted:** The total of Committed, Assigned, and Unassigned Fund Balance.
4. **Committed:** Spendable, non-restricted Fund Balance that has been committed by Resolution or by Ordinance adopted by the Board (highest decision making level). Committed amounts remain committed unless removed by Board action.
5. **Assigned:** Assigned Fund Balance is the portion of the spendable, non-restricted Fund Balance that reflects the County's intended use of resources, as determined by the Finance Director.
6. **Unassigned:** Fund Balance that does not fall within any other Fund Balance Classifications. Only the General Fund can have unassigned Fund Balance.



K. Unanticipated Expenditure: An expenditure for a specific purpose for which there is no or insufficient appropriation or which will cause an appropriation to be insufficient that is necessitated by a change in federal or state laws, rules or regulations, a court order, judgment or decree, a public emergency, an industry-wide price, rate or premium increase, or any other event that takes effect or occurs after final adoption of the annual budget and that could not have been reasonably anticipated prior to the final adoption of the annual budget.

L. Unanticipated Revenue Loss: Estimated revenue which is rendered not receivable because of a change in federal or state laws, rules or regulations, a court order, judgment or decree, or other circumstance or event that takes effect or occurs after final adoption of the annual budget and could not have been reasonably anticipated prior to final adoption of the annual budget.

M. Non-Recurring Item: An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

N. Reserve: Reserve refers to that portion of the Unrestricted Fund Balance within a fund that is established and recognized in accordance with this policy, so as to provide stability, respond to unplanned events or opportunities, and other purposes.

IV. Policy

A. Establishing Reserve Levels:

In establishing the Reserve level for each fund, the Board has considered and, will in the future consider, the following factors:

1. The predictability of revenues and the volatility of expenditures (e.g. higher levels of Unrestricted Fund Balance may be necessary if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
2. Exposure to significant one-time costs (e.g., disasters, immediate capital needs, State budget cuts, etc.).
3. Possible dependency of other funds upon General Fund resources (e.g., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the General Fund).
4. The need to provide temporary resources in the event of an economic downturn while expenditure reductions are implemented.
5. Planned/unplanned capital asset purchases.
6. Accumulation of compensated absences.



7. Contingent liabilities, such as:
 - a. Lawsuits; and
 - b. Environmental Cleanup.
8. Potential revenue reductions.
9. Significant growth (in the next three to five year).

B. Minimum Reserves: These Reserve requirements are in addition to any Fund Balance requirements or constraints imposed by law, contract, or other sources outside this policy.

1. General Fund - The following Reserves within the general fund shall be maintained, except as otherwise determined by the Board:
 - a. *Contingency Reserve*: Equal to 10% of the total general fund operating budget for the fiscal year, including transfers. The purpose of the Contingency Reserve is to mitigate the impact of an Unanticipated Revenue Loss or to meet the need for an Unexpected Expenditure of such severity that budgeted contingencies are not sufficient.
 - b. *Disaster Recovery Reserve*: Equal to 10% - 15% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of the Disaster Recovery Reserve is to respond to natural or human caused disasters and emergencies of such severity that budgeted contingencies are not sufficient.
 - c. *Uninsured Loss Reserve*: Equal to 5% - 10% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of the Uninsured Loss Reserve is to cover losses not covered by the County's general liability and other insurance policies.
 - d. *Major Infrastructure Repair and Replacement Reserve*: Equal to 10% - 15% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of Major Infrastructure Repair and Replacement Reserve is to provide resources for unanticipated repair or replacement of existing infrastructure, including, but not limited to, furniture, fixtures and equipment.
2. Special Revenue Funds - The County shall maintain in any special revenue fund that supports staff and/or ongoing operations a minimum Reserve of 10% of the current fiscal year's operating budget for that fund. This requirement will not apply to grants or other funds supported by non-recurring sources.
3. Enterprise Funds - For Utility operations, the County shall maintain a minimum Reserve of 50% of the current fiscal year's operating budget for Utility operations. All other enterprise funds shall maintain a minimum reserve of 10% of the current fiscal year's operating budget for that fund or comply with any restrictions / requirements mandated by major funding sources, e.g., Housing & Urban Development.





C. Order of Resource Use:

1. When expenditures are to be made for purposes for which both restricted and unrestricted amounts are available, restricted amounts will be reduced to zero first.
2. When expenditures are to be made for purposes for which amounts in any of the spendable fund balance classifications could be used, committed amounts will be reduced to zero first, assigned amounts will be reduced to zero second, and then unassigned amounts shall be expended.

D. Budget contingencies: Each of the budget contingencies described herein shall be established each year in the County's annual budget. If the County Manager authorizes expenditures from the budget contingency between Board meetings, the County Manager shall report the expenditures and justification for them at the next Board meeting.

1. Operating Contingency. The County shall include a minimum \$750,000 Operating Contingency in each year's operating budget. The Operating Contingency may be used to meet Unexpected Expenditures.
2. Emergency Contingency. The County shall include a minimum \$3.0 million Emergency Contingency in each year's operating budget to be used in the event of emergencies, such as wildfire, drought, flooding, extreme snow events, and severe economic circumstances (e.g., the Great Recession of 2009).

F. Committing Fund Balance:

The Board has the authority to set aside funds for a specific purpose. Funds shall be set aside as a Committed Fund Balance by passage of a resolution or ordinance. The Board must pass all Committed Fund Balance resolutions prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not known by June 30th, the resolution must set forth the process or formula to be used to calculate the actual amount as soon as information is available. The County Manager or the County Manager's designee shall complete the process as outlined in the reserve commitment resolution without further action needed from the Board.

G. Assigning Fund Balance:

Any fund balance may be assigned by the Finance Director with oversight by the County Manager. Such assignments cannot exceed the available (spendable, non-restricted, uncommitted) Fund Balance in any particular fund.

H. Use of Reserves:

If an event or occurrence takes place that necessitates use of any of the Reserves as established in this policy, the following process shall be followed:



1. The Board shall take formal action at a regularly scheduled or special meeting of the Board to budget and authorize use of Reserves.
2. The event or occurrence which has necessitated the use of Reserves must be described and must fall within one of the defined uses of the committed Reserves.
3. A justification of need and an analysis of existing budget as it pertains to such need must be presented.
4. A plan with timelines to replenish the full amount taken from the Reserve must be presented.

V. Implementation and Review

Upon adoption of this policy, the Board delegates to the County Manager and Finance Director the authority to establish any standards, procedures, and timelines which may be necessary for its implementation. The Finance Division shall review this policy at least annually and make any recommendations for changes to the Board.

VI. Miscellaneous

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the County, its officers, employees, or agents, or any other person.

Nothing in this policy precludes the Board from establishing additional or more stringent Fund Balance, Reserve, or budget contingency requirements in the County's budget or through other appropriate Board action.