

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

Resolution No. 2019 - 7

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

WHEREAS, on June 9, 2015, the Santa Fe County Board of County Commissioners approved Resolution 2015-84 adopting the Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy; and

WHEREAS, the Government Finance Officers Association's 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 disasters, 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, Santa Fe County's Self Insurance Fund did not exist at the time that Resolution 2015-84 was adopted, and it is in Santa Fe County's interest to formalize a reserve policy for the Self Insurance Fund.

NOW, THEREFORE, BE IT RESOLVED, that the Board of County Commissioners of Santa Fe County hereby repeals and replaces the Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy as attached hereto as Exhibit 1.

SFC CLERK RECORDED 01/09/2019

PASSED, APPROVED, AND ADOPTED this 8th day of January, 2019.

BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF SANTA FE

Anna Hansen
Anna Hansen, Chairperson



ATTEST:

Geraldine Salazar
Geraldine Salazar, County Clerk

APPROVED AS TO FORM:

R. Bruce Frederick
R. Bruce Frederick, County Attorney

COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

BCC RESOLUTIONS
PAGES: 10

I Hereby Certify That This Instrument Was Filed for
Record On The 9TH Day Of January, 2019 at 11:01:25 AM
And Was Duly Recorded as Instrument # 1876437
Of The Records Of Santa Fe County



Witness My Hand And Seal Of Office
Geraldine Salazar
Deputy *Estrella Martinez* County Clerk, Santa Fe, NM

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**Santa Fe County Fund Balance, Reserve, and Budget
Contingencies Policy
Adopted January 8, 2019**

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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 ("GASB") 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, Internal Service 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 reserve 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: Fund used to account 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 used to account for 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 Funds: Funds used to account 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.

I. Internal Service Funds: Funds used to account for activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

J. Fund Balance: 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.

K. Fund Balance Classifications:

1. **Nonspendable Fund Balance:** 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 Fund Balance:** Amounts that are constrained by external providers, creditors, grantors and other governments, constitutionally, or through legislation.
3. **Unrestricted Fund Balance:** The total of Committed, Assigned, and Unassigned Fund Balance.
4. **Committed Fund Balance:** Fund Balance that has been designated as spendable and non-restricted by resolution or ordinance adopted by the Board. Committed amounts remain committed unless removed by resolution or ordinance adopted by the Board.
5. **Assigned Fund Balance:** Fund Balance that is the portion of the Committed Fund Balance that reflects the County's intended use of resources, as determined by the Finance Director.

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6. **Unassigned Fund Balance:** Fund Balance that does not fall within another Fund Balance classification. Only the General Fund can have a positive unassigned Fund Balance.

L. 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, and that is necessitated by either 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 circumstance or event that takes effect or occurs after the final adoption of the annual budget, and that could not have been reasonably anticipated prior to the final adoption of the annual budget.

M. 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, a public emergency, an industry-wide price, rate or premium increase, or other circumstance or event that takes effect or occurs after the final adoption of the annual budget, and could not have been reasonably anticipated prior to final adoption of the annual budget.

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

O. Reserve: 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 Unanticipated Expenditures 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 and volatility of revenues and expenditures (e.g. higher Reserve levels 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 and immediate capital needs);
3. Possible dependency of other funds upon the General Fund (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 to preserve operating expenditures in the event of an economic downturn.
5. Planned/unplanned capital asset purchases;



6. Accumulation of compensated absences;
7. Contingent liabilities (e.g., lawsuits and environmental cleanups);
8. Potential revenue reductions; and
9. Significant growth (in the next three to five years).

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 succeeding 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 the most recently released County 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 the most recently released County 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 the most recently released County 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 a minimum Reserve of 25% in its Corrections Operations Fund, Fire Operations Fund, and Emergency Communications Operations Fund. In any other special revenue fund that supports staff and/or ongoing operations, the County shall maintain 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.
2. Enterprise Funds - At the time of adoption of this policy, there are three Enterprise Funds: (i) the Regional Planning Authority Fund; (ii) the Enterprise Water Fund; and (iii) the Enterprise Housing Administration fund. For the Enterprise Water Fund, the County shall maintain a minimum Reserve of 50% of the current fiscal

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year's operating budget. All other enterprise funds shall maintain a minimum Reserve of 10% of the current fiscal year's operating budget for that fund or that amount required to comply with any restriction or requirement mandated by a major funding source, e.g., the United States Department of Housing & Urban Development.

4. Internal Service Funds – At the time of adoption of this policy, there is one Internal Service Fund, the Self-Insurance Fund. In the Self-Insurance Fund, the County shall maintain the following minimum Reserve as a percentage of each fiscal year's Self-Insurance Fund operating budget (e.g., all costs including claims and administrative costs):

For Fiscal Year 2019 - 2023 : 20% - 35%+;

For Fiscal Years 2024 - 2028: 35% - 45%+;

For Fiscal Years 2029 and beyond: 45%+; and

Should there be a fiscal year when the Self-Insurance Fund reserves are depleted below these established Reserve levels due to an adverse experience and/or high claims, the Reserve shall be replenished over a period of up to three (3) fiscal years.

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 coordination with the County's annual budget process. For example, in June of each year, at the time the County's final budget is adopted, the budget contingencies will be established based on the upcoming fiscal year's operating budget and the preceding fiscal year's Unrestricted Fund Balances contained in the CAFR. If the County Manager authorizes expenditures from the budget contingency between Board meetings, the County Manager shall report the expenditures and the 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.

F. Committing Fund Balance:



The Board may 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 shall complete the process as outlined in the reserve commitment resolution without further action by 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 Fund Balance (e.g., spendable, non-restricted, and uncommitted) in any particular fund.

H. Use of Reserves:

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

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

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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.

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