



Agenda Item

City Council

Item #: 3.11.

2/13/2024

File #: 24-0066

TO: Honorable Mayor and Members of the City Council

THRU: Tom Kisela, City Manager

FROM: Trang Nguyen, Finance Director

1. SUBJECT

Approval of amended Financial Reserve Policy. Resolution No. 11528.

2. SUMMARY

Amend the Financial Reserve Policy and delegate the authority to assign fund balances to the City Manager and Finance Director for reporting purposes in the Annual Comprehensive Financial Report. This Resolution amends Exhibit A - The Financial Reserve Policy only and no changes to Exhibit B - The Pension Funding Policy.

3. RECOMMENDED ACTION

Adopt Resolution No. 11528. A Resolution of the City Council of the City of Orange establishing a Financial Reserve Policy and Pension Funding Policy.

4. FISCAL IMPACT

None.

5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community

- a: Expend fiscal resources responsibly.
- d: Effectively manage and develop City assets.

6. DISCUSSION AND BACKGROUND

In February 2021, the City adopted Resolution 11304, A Resolution of The City Council of the City of Orange establishing a Financial Reserve Policy and Pension Funding Policy, incorporated as Exhibits A and B, respectively. The Financial Reserve Policy establishes adequate reserves for the City to meet its financial obligations in the event of economic uncertainty, catastrophes, or other unforeseen circumstances. The Pension Funding Policy establishes a framework to address current and future pension obligations to minimize the fiscal impact of such obligations.

The Financial Reserve Policy is to be reviewed annually and recommended changes are to be presented to the City Council for consideration. In preparation for developing the Fiscal Year 2024-25 budget, staff reviewed the Financial Reserve Policy and recommends modifying Exhibit A, The Financial Reserve Policy, to include the Government Accounting Standards Board Statement No. 54 (GASB 54) language for Committing and Assigning fund balances in the Annual Comprehensive

Financial Report (ACFR) to designate the timing of these actions, the level of authority to Assign fund balances, and language clean-up for fund balance classification.

The modification, contained in the Background section, reads as follows:

GASB 54 requires the governing body to take action on fund balance classifications prior to fiscal year end. In other words, Commitments and Assignments appearing on the June 30 balance sheet must be acted on no later than the last City Council meeting prior to June 30, or during Budget Adoption. The action does not need to include the exact dollar amount but should provide clear direction to determine the amount once the City's books are closed for the fiscal year. GASB 54 recommends that the City Council take formal action either by resolution or ordinance to **Commit** fund balance. GASB 54 allows the governing body to delegate a level of authority to **Assign** fund balance.

There are no changes to the Pension Funding Policy.

7. ATTACHMENTS

- Resolution No. 11528