




Agenda Item: D-4  
Agenda Date: June 20, 2024  
Agenda Placement: Admin.  
Estimated Time: N/A  
Continued Item: No

## Board Agenda Item

TO: Air Pollution Control District Board

FROM: Aeron Arlin Genet, Air Pollution Control Officer 

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SUBJECT: Fund Balance Policy

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### RECOMMENDATION:

Approve the District's Unreserved Fund Balance Policy to maintain 20% of the annual proposed operating budget.

### DISCUSSION:

The District currently designates two categories of fund balances (i.e., restricted and committed). Each category has "savings" accounts with monies set aside for specific purposes.

Restricted fund balances are those where existing law prescribes the use of these monies. These savings accounts are created by grant allocations received from federal and state agencies, such as the state's Carl Moyer Grant Program. Monies in these accounts are for multi-year grant programs that are managed by our Planning Division and pass through the District to qualified projects as defined by the funding source. Each year, the District strives to spend all these monies; however, based on the grant allocation process, it is common for residual funds to be carried into the next year's budget if the clean air projects are not completed and paid out in the fiscal year.

Committed fund balances are monies set aside for specific categorized expenditures, such as fixed assets and the data acquisition system (DAS), which transmits hourly air quality information to the District website. During the budget hearings in Fiscal Year 2008-09 your Board took action to transfer a portion of excess operational revenue to fully fund the Strategic Reserve at \$1,500,000 to be used for fiscal emergencies. Within the committed fund balances, there are discretionary dollars available for spending at planned intervals or when unforeseen circumstances

arise requiring a withdrawal. Discretionary funds consist of the strategic reserve, re-evaluation fee cycle, and an account for unforeseen operational activities.

Over the last several months, while the District developed its Long Range Fiscal Strategy - Fiscal Year 2023-28, one strategy to ensure financial and operational stability was to adopt a fund balance policy to memorialize the District's efforts to continue to remain fiscally responsible.

A fund balance policy pertains to the committed fund balance and will establish a minimum reserve level to ensure stable services, meet future needs, and protect against financial instability. According to the Government Finance Officers Association (GFOA), the recommended best practice is the general fund reserve account should be no less than what will meet the average cash flow needs of the District for no less than 60 days. Based on this best practice, a policy set at 20% of the District's operating budget, approximately \$2,000,000, will establish an appropriate level to meet the demands of the District during periods when revenues are not available. Currently the fund balance level surpasses 20% when you include the discretionary funds noted above. This policy is important to continue the fiscal health of the District.

**FINANCIAL IMPACT:**

The District will continue to review this policy every year in conjunction with the budget to make sure the policy continues to be met. This will promote fiscal stability for the District in future years.