

CLERK'S OFFICE

APPROVED

Date: 7-6-04

Submitted by: Chairman of the Assembly at  
the Request of the May  
Prepared by: Office of Management and  
Budget  
For Reading: June 8, 2004

ANCHORAGAE, ALASKA

AR No. 2004- 154

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE, ALASKA ADOPTING AN  
UNRESERVED FUND BALANCE DESIGNATION POLICY

WHEREAS, the Government Finance Officers Association recommends local  
governments adopt a formal policy establishing an appropriate level of unreserved fund  
balance, and

WHEREAS, maintaining the Municipality's bond rating for general obligation debt  
provides easy access to public bond markets and reduces the cost of voter approved  
borrowing, and

WHEREAS, the Municipality's financial advisors have indicated that adoption of a written  
policy defining consistent practices regarding fund balance management is an important  
contributing factor to maintaining the Municipality's high bond rating, and

WHEREAS, in March 2002, the Municipal general government and the school district  
entered into a long-term policy agreement whereby each agreed to maintain an  
unrestricted general fund balance of at least 8.25% of general fund revenues to support  
maintenance of the Municipal bond rating, and

WHEREAS, maintaining an adequate level of fund balance is essential to mitigating  
current and future risk (e.g., revenue shortfalls and unanticipated expenditures),  
ensuring stable tax rates and establishing a level of predictability necessary to facilitate  
effective long-range fiscal planning, and

WHEREAS, since 1994, supplemental appropriations from general fund balances have  
ranged from \$765,000 to \$9.9 million, or an average of \$3.6 million per year, and

WHEREAS, the appropriation of fund balance should be limited to uses of a one-time or  
emergency nature, or to fund investment opportunities expected to achieve significant  
cost savings.

THE ANCHORAGE ASSEMBLY RESOLVES:

SECTION 1. It is the policy of the Municipality of Anchorage to maintain and designate  
specific levels of fund balance within its general funds to support the Municipality's bond  
rating, mitigate current and future risk (e.g., revenue shortfalls and unanticipated  
expenditures), help ensure stable tax rates and establish a level of predictability  
necessary to facilitate effective long-range fiscal planning.


1 SECTION 2. It is the policy of the Municipality of Anchorage that the general  
2 government shall prepare and manage budgets so as to maintain unreserved general  
3 fund balance in an amount equal to 8.25% of prior year revenues. This shall be referred  
4 to as the Bond Rating Designation.

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6 SECTION 3. Additionally, it is the policy of the Municipality of Anchorage that general  
7 government shall prepare and manage budgets so as to maintain unreserved fund  
8 balances in its five major funds – Areawide General, Anchorage Fire SA, Anchorage  
9 Roads and Drainage SA, Anchorage Metro Police SA, and Anchorage Parks and  
10 Recreation SA – in an amount equal to 2.5% of prior year revenues. This shall be  
11 referred to as the Operating Emergency Designation.

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13 SECTION 4. Additionally, it is the policy of the municipality that general government  
14 shall prepare and manage budgets so as to maintain a sufficient unreserved fund  
15 balance in all other funds to meet the operating and capital needs of the individual fund.  
16 The amount may be impacted by the size of the fund, the volatility of operating  
17 expenditures, revenues, and the financial strategy used to fund capital improvements, or  
18 the unique functional and financial needs of the fund. Specific levels may be as  
19 recommended by applicable advisory boards and will be reflected in the proposed and  
20 approved budgets.

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22 SECTION 5. The Operating Emergency Designation for general government shall be  
23 used for nonrecurring, unpredictable or unforeseen needs that arise during the fiscal  
24 year, including expenses associated with emergencies, extraordinary weather or natural  
25 disasters, unexpected liability created by Federal or State law, new public safety or  
26 health needs, requirements that have been identified after the budget process has  
27 occurred, or investment opportunities expected to achieve significant cost savings or  
28 public benefit. The Operating Emergency Designation may also be used to cover  
29 shortfalls in a budgeted revenue forecast.

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31 PASSED AND APPROVED by the Anchorage Assembly this 6<sup>th</sup> day of July,  
32 2004.

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39 Chair

40 ATTEST:

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45 Municipal Clerk



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 479-2004

Meeting Date: June 8 2004

From: Mayor

Subject: Fund Balance Designation Policy - AR 2004-154

Recommended budgetary and fiscal practices, as issued by the Government Finance Officers Association, state that local governments should adopt a formal policy establishing the appropriate level of unreserved fund balance. Maintaining an adequate level of fund balance is viewed as essential to mitigating current and future risk (e.g., revenue shortfalls and unanticipated expenditures) and helping to ensure stable tax rates. In addition, predictable fund balance levels are considered a crucial element of long-range fiscal planning and are viewed positively by bond rating agencies. The attached resolution, if approved, will formally adopt an unreserved fund balance designation policy.

In March 2002, the Municipal general government and the Anchorage School District entered into a long-term agreement to maintain general fund balances to support the Municipality's bond rating. Both agencies agreed to use their best efforts in budgeting and managing expenditures so as to maintain general fund unreserved fund balances in an amount equal to or greater than 8.25% of general fund revenues for general government, and equal to or greater than 8.25% of revenues from local tax appropriations for the school district. This is proposed to continue and is referred to as the Bond Rating Designation within the new policy.

In addition to the Bond Rating Designation, the policy establishes an Operating Emergency Designation. This designation is proposed at 2.5% of prior year revenues and is applicable within the five major general funds. The five major funds consist of the Areawide General Fund, Anchorage Fire SA Fund, Anchorage Roads and Drainage SA Fund, Anchorage Metro Police SA Fund, and the Anchorage Parks and Recreation SA Fund. Initially, the 2.5% fund balance target will be met through an interfund transfer of unrestricted net assets from the Equipment Maintenance Fund. In the future, the Municipality will manage through the annual budget process to a range of 2 % to 3% of prior year revenues. If the beginning fund balance is within that range, no adjustments will be necessary. If the beginning fund balance falls outside the range, budgetary adjustments will be proposed to bring fund balance back to the 2.5% policy target. Working around a range, as opposed to a specific target, avoids numerous immaterial adjustments simply to comply with the policy.

1 The Resolution also proposes a policy whereby sufficient unreserved fund balance be  
2 maintained in all other funds to meet operating and capital needs of the individual fund.  
3 The amount may be impacted by the size of the fund, the volatility of operating  
4 expenditures and revenues, the financial strategy used to fund capital improvements, or  
5 the unique functional and financial needs of the fund. Specific levels may be as  
6 recommended by applicable advisory boards and will be reflected in the proposed and  
7 approved budgets.

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9 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE RESOLUTION  
10 2004- 154 ADOPTING A FUND BALANCE DESIGNATION POLICY.

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12 Prepared By: Diana Percy, CPA, Director, Office of Management and Budget

13 Concurrence: Jeffrey E. Sinz, Chief Fiscal Officer

14 Concurrence: Denis C. LeBlanc, Municipal Manager

15 Respectfully Submitted: Mark Begich, Mayor

**Content Information****Content ID :** 001871**Type:** AR\_AllOther - All Other Resolutions**Title:** Fund Balance Designation Policy**Author:** katkusja**Initiating Dept:** OMB**Review Depts:** Finance**Description:** Fund Balance Designation Policy**Keywords:** Fund Balance Designation Policy**Date Prepared:** 6/3/04 1:53 PM**Director Name:** Diana Percy, CPA**Assembly Meeting Date MM/DD/YY:** 06/08/04**Public Hearing Date MM/DD/YY:** 06/22/04**Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOtherARWorkflow	6/3/04 1:57 PM	Checkin	alanodr	Public	001871
OMB_SubWorkflow	6/3/04 1:59 PM	Approve	lohrra	Public	001871
Finance_SubWorkflow	6/3/04 2:01 PM	Approve	sinzje	Public	001871
MuniManager_SubWorkflow	6/3/04 4:45 PM	Approve	leblancdc	Public	001871
MuniMgrCoord_SubWorkflow	6/3/04 4:59 PM	Checkin	katkusja	Public	001871

**ADDENDUM – CONSENT AGENDA-INTRODUCTION**

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CLEANED BY: JCL

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