

General Fund Fund Balance Policy

St. Paul recognizes the importance of maintaining an appropriate level of fund balance. Sound fiscal management of St. Paul's general fund operating budget is made more secure by establishing city goals regarding the size and use of the annual general fund balances. This policy provides two goals and measures for determining the appropriate fund balance. The security factor must be met before the dependence factor can be applied. The City will strive to meet these goals.

1. **Security.** Ensure that, at no time during budget preparation, the amounts remaining in current year end expected fund balance (defined as the prior year's known fund balance amount less the amount designated for application to the current year budget) be allowed to be less than 15% of the next year's planned budget for the General Fund and that part of the Library Agency formerly in the General Fund, as a minimum. As economic conditions warrant, an amount larger than this shall be maintained. This will be applied to cash flow, revenue reserves and insurance and liability needs, or be available in the time of emergencies.

The current fund balance meets or exceeds the 15% bench mark, and the intent is to maintain that level. If the fund balance level falls below the 15% threshold due to reasons unexpected today, a replenishment plan will be developed.

2. **Dependence.** In building the next year's planned budget, the percentage of total annual budget financing that can come from fund balances will not exceed 5% of the planned budget.

General Debt Service Fund Fund Balance Policy

1. The City shall maintain an amount equal to 7.5% of the annual debt service (principal and interest) in the next budget year as a General Debt Service Fund reserve, to provide for:
 - potential tax delinquencies in lieu of a mandatory 5% over-levy, as required by state law; and
 - a 2.5% reserve for revenue shortfalls and unforeseen expenditures in the General Debt Service Fund.
2. In accordance with the City historical practice of certifying tax levies for general obligation bond issues, the City shall establish and maintain a designated fund balance reserve for the first half of the subsequent year's debt service. This reserve is required to include an amount necessary to fund the pending bond sales estimated current interest payment and subsequent year requirement.

3. In addition, the City shall establish and maintain a designated fund balance reserve for reserves required by bond indentures, covenants, ordinances and other debt obligations.
- 4 The City shall also establish and maintain a designated fund balance reserve for net unrealized gains or losses in an amount determined by GASB 31.