

# General Fund Reserve Policy

---



Council Presentation  
August 26, 2025



# Purpose of Fund Balance

---

- Maintaining adequate fund balances is essential for governments to manage financial risks such as revenue shortfalls, unexpected expenditures, and to support stable tax rates.
  - The appropriate level of unrestricted fund balance in the General Fund should reflect each government's unique circumstances.
    - For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance.
-



# Fund Balance Policy History

---

- FY 2015: "...at least ten (10%) percent and up to 25% of total annual General Fund appropriations, exclusive of any one-time appropriations."
  - FY 2017: "... at least two months (or approximately 17%) of regular General Fund operating revenues or regular General Fund operating expenditures up to 25% of total annual General Fund appropriations, excluding any one-time appropriations."
  - FY 2019: "At least two months (or approximately 17%) of regular general fund operating **expenditures up to 25%** of total annual General Fund appropriations, exclusive of any one-time appropriations."
-



# Fund Balance Policy History

---

- FY 2020: "...at least two months ( or approximately 17%) of regular general fund operating expenditures **up to 20%** of total annual General Fund appropriations, exclusive of any one-time appropriations."
  - FY 2026 Draft: "...It is the goal of the City Council to **maintain a reserve** in the General Fund of an unassigned fund balance of **20%** of regular General Fund operating expenditures, exclusive of any one-time appropriations. The amount calculated to be 20% of regular General Fund operating expenditures, exclusive of any one-time appropriations, will be Reserved for Major Contingencies..."
-



# General Fund Reserve Balance Budget History

---

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
	<b><u>Adopted Budget</u></b>	<b><u>Adopted Budget</u></b>	<b><u>Adopted Budget</u></b>	<b><u>Adopted Budget</u></b>	<b><u>Adopted Budget</u></b>
Total Expenditures	\$ 265,391,785	\$ 299,261,862	\$ 329,299,474	\$ 352,866,791	\$ 343,780,465
Less One-Time Expenditure	1,200,000	13,200,000	22,180,976	27,026,438	13,156,510
Net Operating Expenditures	<b><u>\$ 264,191,785</u></b>	<b><u>\$ 286,061,862</u></b>	<b><u>\$ 307,118,498</u></b>	<b><u>\$ 325,840,352</u></b>	<b><u>\$ 330,623,955</u></b>
Reserved for Major Contingencies	\$ 52,838,357	\$ 57,212,372	\$ 61,423,700	\$ 65,168,070	\$ 66,124,791
Unreserved Fund Balance	24,012,372	19,939,694	16,009,191	3,662,281	1,370,228
Total Unassigned Fund Balance	<b><u>\$ 76,850,729</u></b>	<b><u>\$ 77,152,066</u></b>	<b><u>\$ 77,432,890</u></b>	<b><u>\$ 68,830,352</u></b>	<b><u>\$ 67,495,019</u></b>
Reserved for Major Contingencies %	20.0%	20.0%	20.0%	20.0%	20.0%
Unreserved Fund Balance%	9.1%	7.0%	5.2%	1.1%	0.4%
Total Unassigned Fund Balance%	<b><u>29.1%</u></b>	<b><u>27.0%</u></b>	<b><u>25.2%</u></b>	<b><u>21.1%</u></b>	<b><u>20.4%</u></b>
Days of Operation for Total Unassigned Fund Balance	106	98	92	77	75

---



# Specialized Public Finance Inc. Recommendations

---

Some widely accepted benchmarks

- **Baseline:** At least 2 months of operating expenditures (about 16 to 17 percent) is generally expected.
- **Stronger cushion for coastal risk:** 20 to 25 percent (about 2.5 to 3 months) is viewed favorably by rating agencies, especially for cities with weather exposure.
- **Policy matters:** A council-adopted policy that sets a minimum and a target range, plus a plan to restore fund balance when it dips below the minimum, is looked on favorably.



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

---



# Specialized Public Finance Inc. Recommendations

---

## Recommendation

Adopt a minimum of 20 percent with a target range of 20 to 25 percent. This reflects the City's coastal risk profile while setting an achievable path. Consider phasing toward the upper end over the next 2 to 3 years and adding:

- Triggers to replenish if the balance falls below 20 percent
- Guidance to use one-time revenues and year-end surpluses for rebuilding reserves
- A separate stabilization or catastrophe reserve designation within the overall fund balance, if desired (3-5%)



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES



# Fund Balance/Financial Policies from Other Cities

---

City of :	Fund Balance/Financial Policies
Austin	17% of ongoing expenditures
Dallas	50 days and not more than 70 days of General Fund operating expenditures
Fort Worth	Minimum of two months (16.67 %); with a goal of three months (25%), of the next fiscal year budgeted operating expenditures.
Houston	7.5% of General Fund expenditures for that fiscal year, excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures. In addition to the Fund Balance, the City shall maintain a separate Budget Stabilization Fund in an amount not less than the greater of (a) 1% of Adopted Budget General Fund expenditures (excluding debt service payments and transfers for pay-as-you-go (PAYGO) capital expenditures) or (b) \$20 million, which may be used in accordance with the definition of the fund.
San Antonio	15.0% of revenues
Galveston	General Fund 90-Day Reserve
Beaumont	General Fund ending fund balance not to be less than twenty percent (20%) of that fund's annual operating expenditures.
Brownsville	a minimum 90-day unassigned fund balance in its general fund of the subsequent year's expenditures and outgoing transfers.
South Padre Island	6-month operating reserve





# Options for Consideration

---

- **Option 1 :** "...It is the goal of the City Council to maintain an unassigned fund balance in the General Fund of at least 20% of regular operating expenditures, excluding any one-time appropriations. The amount calculated to be 20% of regular General Fund operating expenditures, exclusive of any one-time appropriations, will be Reserved for Major Contingencies..."



# Options for Consideration

---

- **Option 2 :** "...It is the goal of the City Council to maintain an unassigned fund balance in the General Fund of at least 17%, and up to 20%, of regular operating expenditures, excluding any one-time appropriations. The amount calculated to be at least 17% and up to 20%, of regular General Fund operating expenditures, exclusive of any one-time appropriations, will be Reserved for Major Contingencies..."
- Staff recommends Option 1