



Financial Policies

Tulare County Administrative Office

December 17, 2019

Background

BOS Study Session on February 26, 2019:

- ▶ Reviewed Current policies
 - ▶ Use vague and ambiguous language
 - ▶ Silent on a funding strategic reserve level
 - ▶ Fund Balance process not clearly defined

- ▶ Goal
 - ▶ Update language to add Fund Balance and Reserve Sections
 - ▶ Classify fund balance for reporting purposes to recommended levels
 - ▶ Received direction on methodology to fund the reserve levels
 - ▶ Received direction to conduct annual review of Financial Policies - Update Sections

Fund Balance Level - General Fund

- ▶ GFOA recommends maintaining an **Unrestricted Fund Balance** of a minimum of two months operating revenues or expenditures
- ▶ Propose to amend Financial Policies language to include the County will “strive” to maintain no less than **16% Total Unrestricted Fund Balance Level**
- ▶ Ending FY 2018/19 Total Unrestricted Fund Balance Level **21.36%**
 - ▶ Use operating revenues - less volatile

Note: Based on unaudited Draft CAFR, as of 12/17/2019

Level of Unrestricted Fund Balance General Fund

Total Operating Revenues	\$642,696
Committed Fund Balance	57,394
Assigned Fund Balance	37,631
Unassigned Fund Balance	42,267
Total 2019 Unrestricted Fund Balance	\$137,292
% of Operating Revenues	21.36%

**Amounts expressed in thousands*

Strategic Reserve Funding Level

- ▶ Propose to amend Financial Policies language to include the County will “strive” to commit no less than **8% Strategic Reserve Fund Level**
- ▶ Ending FY 2018/19 Strategic Reserve Level at **4.67% or \$30 Million**
- ▶ FY 2019/20 Adopted Budget increased reserve to **\$32 Million**
- ▶ Access Strategic Reserve through Board action

Note: Based on unaudited Draft CAFR, as of 12/17/2019

County Comparisons

Neighboring Counties		
General Fund Target Funding Level		
County	Unrestricted Fund Balance	Reserve
Fresno	N/A	8%
Kern	10%	N/A
Madera	12%	N/A
Kings	N/A	N/A
Merced	N/A	N/A

"Best in Class" Counties		
General Fund Target Funding Level		
County	Unrestricted Fund Balance	Reserve
<i>Tulare (Goal)</i>	16%	8%
Santa Barbara	15%	8%
San Diego	10%	5%
Sonoma	16%	N/A
Ventura	15%	N/A

Summary

- ▶ Policies amended to add language to include annually review of Financial Policies by the County Administrative Office and County Auditor-Controller's Office
- ▶ Amend Financial Policies language to Add and Update Section 6
 - ▶ Fund Balance and Reserve Sections
 - ▶ Include General Fund Unrestricted Fund Balance, Replenishment, General Fund Reserves, Strategic Reserve, and General Fund Pension Trust subsections
- ▶ Adds Language to amend Financial Policies to include the County will "strive" to maintain no less than **16% Total Unrestricted Fund Balance Level**
- ▶ Adds Language to amend Financial Policies to include the County will "strive" to commit no less than **8% Strategic Reserve Fund Level**

Comments or Questions?