

CITY OF GOLDEN
FUND BALANCE / RESERVE POLICY
Approved September 2012 – Resolution 2213
Most Recent Revision April 2021 – Resolution 2783

Purpose

To establish a formally adopted fund balance/reserve policy for all funds of the City in addition to the City Council adopted policy for the General Fund as part of the Long Range Budgetary Policies. Included in the total fund balance are amounts that are either Nonspendable, Restricted, Committed, Assigned, or Unassigned. These classifications, as defined in GASB Statement 54, comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints for the specific purposes that amounts can be spent in the governmental funds. This policy establishes appropriate levels of reserves, or fund balance, for each fund within the City's operations, recognizing the unique needs and differing situations for the various funds.

Governmental Fund Types

General Fund:	Maintain Fund Balance of 10-20% of annual expenditures per Resolution 2615, "Adopting Long Range Budgetary Policies", and subsequent revisions.
Capital Project Funds: (Sales & Use Tax) (Capital Programs) (Open Space)	1.) In general, no minimum reserve requirement. These funds can be spent to a zero balance annually. 2.) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose (i.e. bond proceeds, grants or donations).
Special Revenue Funds: (Conservation Trust) (GDGID)	1.) In general, no minimum reserve requirement. These funds can be spent to a zero balance annually. 2.) Fund balance should never be less than the total of funds collected, but not yet spent, that are restricted for a specific purpose.

Proprietary Fund Types – Enterprise Funds

Water Fund	For Operations, reserve of 10-20% of annual operating expenditures is desirable. For Capital, reserves should accumulate for future debt service payments and in anticipation of future capital needs, but Capital Reserves may be spent to a zero balance annually if deemed appropriate. Note that a portion of operating revenues may be used for Capital on an annual basis as current customers
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have an obligation for future capital improvements and replacements.

Wastewater Fund

For Operations, reserve of 10-20% of annual operating expenditures is desirable. For Capital, reserves should accumulate for future capital needs and potential debt service payments, but Capital Reserves may be spent to a zero balance annually if deemed appropriate. A capital reserve of \$6 million should be maintained if possible, in anticipation of the City's share of future improvements to the Coors treatment plant. Note that a portion of operating revenues may be used for Capital on an annual basis as current customers have an obligation for future capital improvements and replacements.

Drainage Fund

For Operations, reserve of 10-20% of annual operating expenditures is desirable. For Capital, reserves should accumulate for future capital needs and potential debt service payments, but Capital Reserves may be spent to a zero balance annually if deemed appropriate. Note that a portion of operating revenues may be used for Capital on an annual basis as current customers have an obligation for future capital improvements and replacements.

Community Center Fund

This Fund is subsidized annually by the General Fund for operations and the SUT Fund for capital needs. The SUT Fund subsidy should be spent each year on capital and should not accumulate. Recognizing that reserves in this fund are a result of General Fund subsidy and thus take interest earnings away from the General Fund, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year-end reserves shall be between \$100,000 and \$150,000. If year-end reserves exceed \$150,000, transfers from the General Fund shall be reversed to achieve this reserve level. If reserves go below \$100,000, additional subsidy shall be made no later than the following budget year to bring the reserve back to the desired range.

Splash Aquatic Park Fund

This Fund is designed to cover its operating costs, with capital needs to be paid directly by the appropriate capital projects or special revenue fund. In some years, this fund may be subsidized by the General Fund. When reserves in

this fund are a result of General Fund subsidy, interest earnings are taken away from the General Fund. In these situations, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year-end reserves shall be between \$25,000 and \$50,000. If year-end reserves are below \$25,000, then a transfer from the General Fund shall occur. Reserves may accumulate in excess of \$50,000 as a result of operations. If reserves exceed \$50,000, funds may be used to cover capital needs if deemed appropriate.

Fossil Trace Golf Club Fund

The golf course fund is not subsidized and covers all capital and debt service costs. Reserves will fluctuate based on the time of year, as most revenue is generated from April – September. There are no restrictions on reserves for this fund. The accumulation of reserves is necessary to cover the potential for declining revenues as the course ages, the need to pay debt costs through 2030, and the need for capital repair and replacement. At a minimum, reserves should increase at least \$100,000 annually to allow for the purchase of a new cart fleet every 4-5 years.

Rooney Road Sports Complex Fund

This fund is designed to cover all operating costs through user fees and to accumulate reserves for future capital needs – repair/replacement of the existing fields and possible expansion of the complex. Capital reserves may not be used to cover operating costs.

Cemetery Fund

This Fund is designed to cover its operating costs and capital needs, with major capital projects to be paid directly by the SUT Fund if necessary. In the past, the Fund was periodically subsidized by the General Fund and interest from the Cemetery Perpetual Care Fund.

Year-end operating reserves shall be maintained at a minimum of \$100,000. If year-end reserves fall below \$100,000, then a transfer from the General Fund and/or Perpetual Care Fund shall occur. Reserves may accumulate in excess of \$100,000 as a result of operations. If reserves exceed \$100,000, funds may continue to accumulate and be used for major capital needs if deemed appropriate. If year-end reserves exceed future capital needs, consideration

should be given to reimburse the Cemetery Perpetual Care Fund and then the General Fund for previous subsidies.

Museum Fund

This Fund is subsidized annually by the General Fund for operations. Recognizing that reserves in this fund are a result of General Fund subsidy and thus take interest earnings away from the General Fund, the reserves should be kept to a minimum. However, some reserve is necessary to cover unexpected situations without placing an undue burden on the General Fund for an unanticipated or unbudgeted subsidy.

Therefore, year-end reserves shall be between \$50,000 and \$100,000. If year-end reserves exceed \$100,000, transfers from the General Fund shall be reversed to achieve this reserve level. If reserves go below \$50,000, additional subsidy shall be made no later than the following budget year to bring the reserve back to the desired range.

Proprietary Fund Types – Internal Service Funds

Fleet Management Fund

This Fund is designed to cover its operating costs annually through charges for service to the user departments, with vehicle replacement needs met through annual fleet lease charges.

Reserves shall be accumulated to cover projected replacement costs through lease charges to departments over the useful life of the current vehicles and equipment.

Reserves for future vehicle and equipment replacements will fluctuate from year to year based on the replacement schedule, but the reserve shall not be reduced to cover operating expenses.

Because of potential fluctuations in operating costs for fuel and unexpected repairs, etc., an operating reserve of approximately 5% (~\$50,000) shall be maintained

I.T. Fund

This Fund is designed to cover its operating and capital costs annually through charges for service to the user departments.

Reserves shall be maintained between \$200,000 and \$300,000 to allow for emergencies or unanticipated

technology needs. Reserves shall be replenished through subsequent charges to the appropriate user departments.

If reserves exceed \$300,000, funds may continue to accumulate and be used for major capital needs if deemed appropriate. If year-end reserves exceed future capital needs, consideration should be given to reduce the charges to the appropriate user departments.

Insurance Fund

This Fund is designed to cover the premiums, claims, deductibles, and other operating expenses related to property and casualty insurance coverage. User departments and/or operating funds are charged appropriately to cover these costs.

It is the City's intent to maintain large deductibles to reduce the cost of insurance premiums and earn interest on reserves.

Reserves shall be maintained between \$800,000 and \$1,200,000 to allow for emergencies and numerous or large claims. Reserves shall be replenished through subsequent charges to the appropriate user departments. If reserves exceed \$1,200,000, consideration should be given to reduce the charges to the appropriate user departments.

Medical Benefits Fund

This Fund is designed to cover the premiums, claims, and other operating expenses related to City's self-funded plan to provide employee medical and dental insurance. Expenses related to the City's wellness program are also covered in this fund. Employees and user departments are charged appropriately to cover these costs.

Reserves shall be maintained at 70-80% of the 3-year average of annual expenditures for the fund (currently +/- \$3.6 million) to allow for emergencies and numerous or large claims. Reserves shall be replenished through the appropriate combination of increasing premiums to employees and/or user departments, or cutting claims expenses through increased co-pays and deductibles.

Workers Comp/ Unemployment Fund

This Fund is designed to cover the premiums, claims, and other operating expenses related to workers compensation and unemployment insurance coverage. User departments are charged appropriately to cover these costs.

It is the City's intent to maintain large deductibles to reduce the cost of insurance premiums and earn interest on reserves.

Reserves shall be maintained between \$600,000 and \$800,000 to allow for emergencies and numerous or large claims. Reserves shall be replenished through subsequent charges to the appropriate user departments. If reserves exceed \$800,000, consideration should be given to reduce the charges to the appropriate user departments.

Trust and Agency Funds

Cemetery Perpetual Care Fund

This fund is designed to accumulate funds sufficient to maintain the Cemetery in perpetuity once it is at capacity. Reserves accumulate from perpetual care fees charged at the time of purchase of a plot and from interest earnings. Interest earnings may be used to subsidize the operations of the Cemetery Fund when needed. Perpetual Care fees are restricted and may never be spent.

Volunteer Firefighters Pension Alternative Fund

This fund is designed to accumulate funds contributed annually by the City to fund a pension alternative for individual volunteer firefighters that are not eligible for the pension, but serve a comparable number of years of service to the Fire Department.

Funds are restricted and may only be used to purchase an annuity, make monthly payments directly to the volunteers, or some other form of pension alternative upon accumulating a sufficient number of years of service and terminating service with the Fire Department.

Volunteer Firefighters LOSAP/457 Fund (Currently Inactive)

This fund is designed to accumulate funds contributed annually by the City to individual volunteer firefighters based on years of service to the department, and interest earnings allocated to the individual accounts.

Funds are restricted and may only be used to pay the account balance to the volunteer upon the separation of service to the department.