



The Town *of* Davidson

College Town. Lake Town. *Your Town.*

Unassigned Fund Balance



Fund Balance

- Finance Policy states that at June 30, 35% of next year budget will be a stabilization threshold goal
- At June 30, 2017 UFB was \$7.35 million (66% of the FY2018 budget)
- The 35% stabilization threshold was \$3.88 million
- Currently, the Town has \$1.55 million of unassigned fund balance over the 35% threshold

Fund Balance Strategy

- “Save our powder” to take advantage of opportunities.
 - Match Grant Funding
 - Land Acquisition
 - Other “pop-ups”
- Intentional Savings for Specific Needs
 - Capital Projects/Purchases
 - Up-front Costs for G.O. Projects
- A healthy fund balance is favorable to lenders and rating agencies

Starting Fund Balance

Unassigned Fund balance at June 30, 2017:	\$ 7,352,238
Minus: 35% of GF Budgeted Exp. for FY2018 at July 1, 2017:	<u>\$ (3,882,664)</u>
Unassigned FB over Stabilization Threshold:	\$ 3,469,574

FY 2018 Fund Balance Allocations

Unassigned FB over Stabilization Threshold:	\$	3,469,574	
Unassigned FB allocated in FY 2018			Through February 27, 2018
228 Sloan Street	\$	60,000	
Resurfacing Project	\$	331,000	Carry Forward from FY17
Landscape Buffer By Westside Terrace	\$	20,000	
Fire Station #2	\$	130,000	
Park @ Bailey Springs Phase I	\$	131,129	
Under Reimbursement Resolution:			
Public Facilities Phase 2 Fees (FY 2018)	\$	925,000	Approved August 8, 2017
Minus: Total Approved Projects	\$	1,597,129	
Unassigned Fund Balance available for Capital Projects	\$	1,872,445	Through February 27, 2018



FY2018 Fund Balance Carry-Forward and Reserved Funds

Unassigned Fund Balance available for Capital Projects		\$ 1,872,445	Through February 27, 2018
Carry-forward From Prior Year			
Streets Carry-forward		\$ 150,000	Sidewalks
		\$ 75,000	RRFB
Parks Carry-forward		\$ 80,000	Roosevelt Wilson Park
Reserved/Developer Paid Funds			
Parham Park		\$ 12,000	Developer paid
Connectivity and Traffic Calming		<u>\$ 7,500</u>	Fees Collected
Minus: Total Carry-forward & Reserved Funds		<u>\$ 324,500</u>	
Unallocated Unassigned FB over Stabilization		\$ 1,547,945	



Available Fund Balance Policy Scenarios

- At median fund balance of similar municipalities:
 - FY2016=52.79% Stabilization Threshold=\$4,728,172
 - Current available fund balance=\$702,437
- At 8% of actual FY2017 expenditures:
 - Stabilization threshold=\$716,525
 - Current available fund balance=\$4,714,084
- At 40% of average fund balance of similar municipalities:
 - FY2016=53.95%; 40%=21.58% Stabilization threshold=\$1,932,827
 - Current available fund balance=\$3,497,782



Pros and Cons To Changing Fund Balance Policy and Reducing Fund Balance

Pros

- Initially, more available fund balance
- Decreased perception that the fund balance is too large

Cons

- Limited, or no, ability to fund match grants, “pop-up” needs, or up-front G.O. bond project needs
- Issuance of G.O. Bonds (or other debt) will have lower credit rating, resulting in an increased cost to the debt.
- Limited emergency funds
- Potential for LGC concern, with significant drop in FB

Questions



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Finance Department
March 13, 2018