

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF ERLANGER IN KENTON COUNTY KENTUCKY REPEALING IN ITS ENTIRETY ORDINANCE NO. 2548 WHICH TRANSFERRED \$5,000,000 TO THE CAPITAL FUND AND REPLACING WITH A COMPREHENSIVE FUND BALANCE POLICY

WHEREAS the City of Erlanger desires to provide a more comprehensive policy related to fund balances; and

WHEREAS to comply with the Governmental Accountability Standards Board (GASB) Statement 54, the City of Erlanger closed out the Reserve Fund. In October 2010, the Erlanger City Council committed to holding a General Fund minimum fund balance target at 30% of expenditures and recurring transfers for emergency purposes. No other fund balance policies currently exist; and

WHEREAS the City of Erlanger desires to establish a formally adopted fund balance/reserve policy for all funds of the City of Erlanger. This policy will establish 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; and

NOW, THEREFORE, be it ordained by the City of Erlanger, in Kenton County, Kentucky as follows:

Underlined sections are being added and strikethrough sections are being deleted.

Section 1.0 Fund Classifications

The Fund Balance has five classifications: Non-spendable, Restricted, Committed, Assigned and Unassigned.

Non spendable Fund Balance: This classification includes amounts that cannot be spent because they are either (a) not in a spendable form – long-term receivables and prepaid items; or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision-making authority). Those committed amounts cannot be used for any

other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Section 2.0 Order of Use of Fund Classification

When both restricted and unrestricted resources are available for use, the City of Erlanger shall use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned in order as needed.

Section 3.0 Authority to Commit Funds

The Erlanger City Council has the authority to set aside or constrain funds for a specific purpose. Any funds set aside as committed funds, beyond the already constrained funds outlined in Section 4.0 requires passage by ordinance.

Section 4.0 Reserve Requirements for all Funds

General Fund Balance

The Erlanger City Council has previously committed to holding a General Fund balance target at 30% of expenditures and recurring transfers for emergency "rainy day" purposes.

Resilience (Stabilization) Fund Balance

Maintaining a financial Resilience Fund Balance within the General Fund is a necessity for sound financial management and fiscal accountability. The Resilience Fund Balance

shall not be used to fund operating or regular capital expenditures that should otherwise be funded with operating revenues and reserves.

The Resilience Fund has been established by the City of Erlanger for the purpose of providing funds for an urgent event that affects the safety of the public (e.g., declaration of economic emergency, or other specific circumstances such as slow economic growth or a natural disaster, such as flood, tornado, etc.) for unexpected revenue declines that are projected to continue for more than 2 years.

The minimum level of the Resilience Fund balance is \$5,000,000. The Resilience Fund Balance is accounted for as committed funds on the City's audited financial statements. This policy shall become effective for the June 30, 2023, audited financial statements.

All requests for use of or an addition to the General Fund Resilience Fund Balance shall be included in the budget presented and approved by the City Council.

Any proposed appropriation resulting in the balance of the Resilience Fund dropping below the established minimum fund balance must be submitted with a plan to restore the minimum resilience fund within two years.

Employee Internal Service Fund

This fund is designed to cover the premiums and claims related to the City's self-funded plan to provide employees with medical and dental insurance. Reserves shall be maintained between \$100,000 - \$250,000 to allow for emergencies and numerous or large claims.

Capital Asset Fund

This fund is used to replace large equipment, vehicles, and infrastructure projects. The minimum level of the Capital Asset Fund Balance is a minimum balance of \$250,000.

Police Forfeiture Fund

This fund is a special revenue fund, derived from drug forfeitures that must be expended for police equipment and supplies. These funds can be spent to a zero balance annually. The fund balance should never be less than the total of funds collected, but not yet spent, that are restricted to a specific purpose.

Park Improvement Fund

This fund is a special revenue fund, derived from a percentage of real estate taxes and general fund transfers made periodically. All unspent real estate taxes are classified as restricted funds. All unspent General Fund transfers that are committed by contract or budget ordinance are classified as committed funds. All remaining funds are classified as assigned funds for future park expenditures. These funds can be spent to a zero balance annually.

TIF Fund

This fund is a special revenue fund, derived from "incremental occupational revenues" associated with the development district also known as Erlanger Road Commerce Center. These funds can be spent to a zero balance annually.

Section 5.0 Repealing Ordinance No. 2548

Ordinance No. 2548 shall be repealed in its entirety.

Section 6.0 Provisions Severable

The provisions of this Ordinance are severable; and the invalidity of any provision of this Ordinance shall not affect the validity of any other provision thereof; and such other provisions shall remain in full force and effect as long as they remain valid in the absence of those provisions determined to be invalid.

Section 7.0 Conflicting Ordinances Repealed

All conflicting Ordinances are repealed.

Section 8.0 Effective Date

This Ordinance shall become effective at midnight on the evening of _____, 2023.

JESSICA FETTE, Mayor

DATE: _____