
**DOUGLAS COUNTY ADMINISTRATIVE
POLICIES AND PROCEDURES**

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REVISED:
AUTHORITY: BOCC
COUNTY MANAGER: _____

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SUBJECT: ROOM TAX FUND BALANCE POLICY

- I. PURPOSE:** The County desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate reserve level to protect the County's credit worthiness. The Room Tax Special Revenue Fund Operating Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

This policy establishes the amounts the County will strive to maintain in its Room Tax Special Revenue Fund Reserve, how the reserve will be funded, defines a balanced budget, and the conditions under which the reserve may be used.

II. POLICY AND PROCEDURES:

A. RESERVE LEVELS:

The County will maintain a minimum level of restricted or committed Fund Balance in the Room Tax Fund equivalent to three months of regular, on-going operating expenditures (including transfers out). Amounts used in this calculation shall not include any amounts allocated for another purpose by the Board of County Commissioners. The County shall measure its compliance with this policy as of December 31, as soon as practical after final year-end account information becomes available. During the course of the year, the Finance Department shall closely monitor the County's revenues and expenditures to ensure Reserves are not used beyond any approved planned usage. For the purpose of this policy, the current year's expenditures will exclude any significant Non-Recurring items, as well as any pass-through expenditures.

If based on staff's analysis and forecasting, the target level of Reserves is not being met, or are likely not to be met at some point within a five-year time horizon, then during the annual budget process, Fund Balance levels will be provided to the Board of County Commissioners. Should the projected year-end Fund Balance be below the minimum Reserve amounts established by this policy, a plan to replenish the Reserve would be established based on the requirements outlined in this policy.

B. FUNDING THE RESERVES

Funding of Room Tax Special Revenue Fund Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

C. CONDITIONS FOR USE OF RESERVES

It is the intent of the County to limit the use of Room Tax Special Revenue Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures (excluding pass-through expenditures). Reserves may, however, be used to allow time for the County to restructure Room Tax operations in a deliberate manner (as might be required during an economic downturn), but such use will only take place in the context of an adopted long-term plan.

D. AUTHORITY OVER RESERVES

The Board of County Commissioners may authorize the use of Reserves. The Finance Department will regularly report both current and projected Reserve levels to the Commissioners.

E. REPLENISHMENT OF RESERVES

In the event that Reserves are used resulting in a balance below the three months minimum, a plan will be developed and included in the formulation of a five-year forecast presented during the annual budget process.

F. EXCESS OF RESERVES

1. In the event the Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:
2. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
3. Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the Room Tax portion of the County's Capital Improvement Plan, as well as Major Maintenance and Repair Expenditures.
4. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
5. Start-up expenditures for new programs, providing that such action is approved by the Board of County Commissioners and is considered in the context of multi-year projections or revenue and expenditures as prepared by the Finance Department.

G. PERIODIC REVIEW OF THE TARGETS

At a minimum during the budget, process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors that affect the County.

III. AUTHORITY: The Board of County Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies that establish and direct the operations of Douglas County. The County Manager is responsible for carrying out the policy directives of the Board of County Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Manager by the Chief Financial Officer.

IV. RESPONSIBILITY FOR REVIEW: The Board of County Commissioners shall review this policy annually.

V. DEFINITIONS AND ACRONYMS:

- a. Assigned fund balance: Fund balance amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. Such intent should be expressed by the County Commission or appropriately authorized officials. Constraints imposed on the use of assigned fund balances can be removed or changed without formal County Commission action.
- b. Capital Improvement Plan (CIP): A plan that describes the capital projects and associated funding sources that the County intends to undertake in the current year, plus four additional future years, including the acquisition or construction of capital facilities and assets, and the maintenance thereof.
- c. Cash Balance: The sum of Cash and Cash Equivalents of an accounting fund.
- d. Cash Equivalent: In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.
- e. Committed fund balance: Fund balance that can be used only for specific purposes pursuant to constraints imposed by an ordinance of the County Commission, which is the County's highest level of decision-making authority. These constraints remain binding unless removed or changed in the same manner to create the constraints.
- f. Fund Balance: Fund balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental fund.
- g. General Fund: One of five governmental fund types. The General Fund typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted in some other fund.
- h. Non-Recurring Item: an expenditure that has not occurred in the previous two years, and is not expected to occur in the following year.

- i. **Nonspendable Fund Balance:** Fund balances that include items that cannot be spent, such as amounts that are not in a spendable form (i.e. inventories and prepaid items) and amounts that are legally or contractually required to remain intact.
- j. **Pooled Cash:** The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- k. **Reserve:** Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities.
- l. **Restricted fund balance:** Fund balances that have constraints placed upon the use of the resources either by external parties (such as creditors, grantors, or other governments) or imposed by law through a constitutional provision or enabling legislation.
- m. **Special Revenue Fund:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.
- n. **Unassigned fund balance:** Residual fund balance amounts that are not included in nonspendable, restricted, committed or assigned fund balances.