



LAKE COUNTY
Investing in People
and Our Communities

Reserve Fund Balance Analysis

F&A Committee
September 26, 2019

FUND BALANCE POLICY

- ❖ Fund balance is the financial “cushion” against potential impact of unanticipated circumstances and events
 - ❖ Revenue shortfalls
 - ❖ Unanticipated expenses
- ❖ Policy defines the minimum level at which fund balance is to be maintained
- ❖ Key performance indicator in government finance



COMPREHENSIVE FUND BALANCE POLICY



Determine appropriate
level of unrestricted
fund balances



Define circumstances in which
unrestricted fund balance can
be “spent down”



Outline process of how
deficiencies will be replenished
and over what period

LAKE COUNTY'S RESERVE FUND BALANCE POLICY

- ❖ Discussed and approved through annual Budget and Finance Policies
- ❖ Property Tax-funded Operating Funds: 27.5% - 35%* of current fiscal year appropriation
- ❖ FICA, IMRF and Risk Management Funds: 12%* of current fiscal year appropriation
- ❖ Risk Fund: additional reserves based on professionally-performed actuarial analysis



*In previous years, all funds had a fund balance target of 27.5%

FISCAL YEAR IMPACT

FY18 Audited Fund
Balances

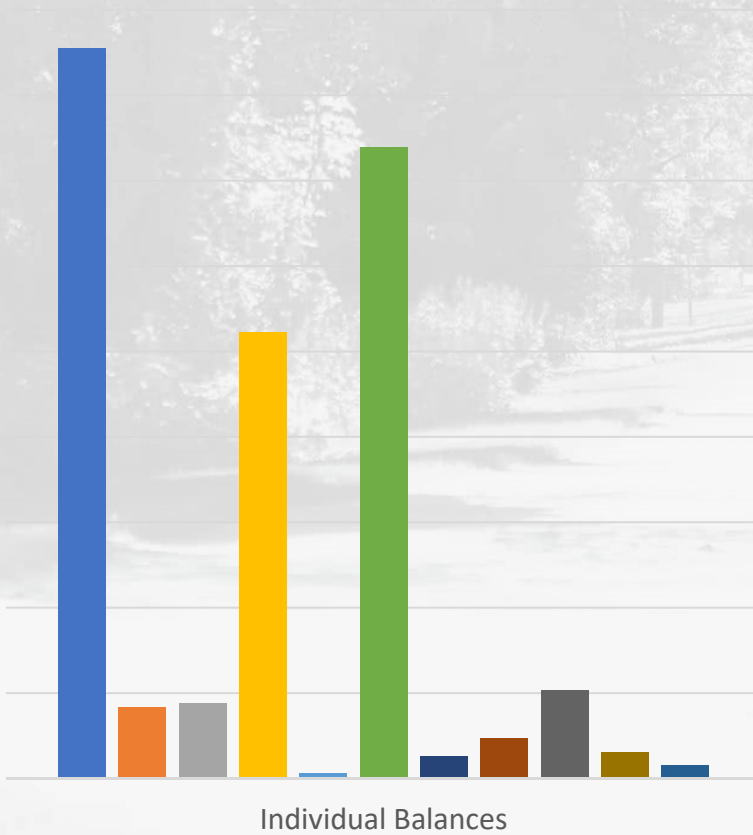
FY19 Expense Budget

FY20 Budget

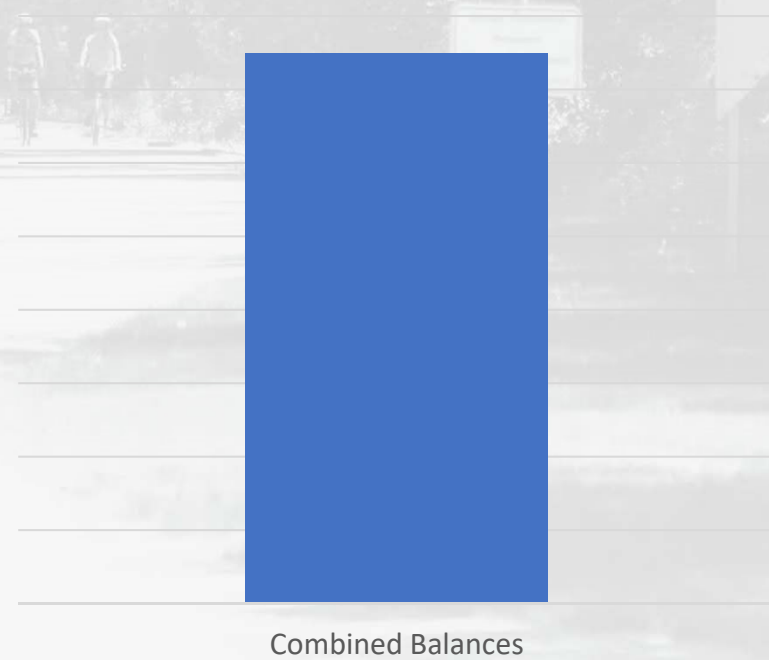


COUNTY-WIDE APPROACH

Individual Operating Funds



Total All Funds

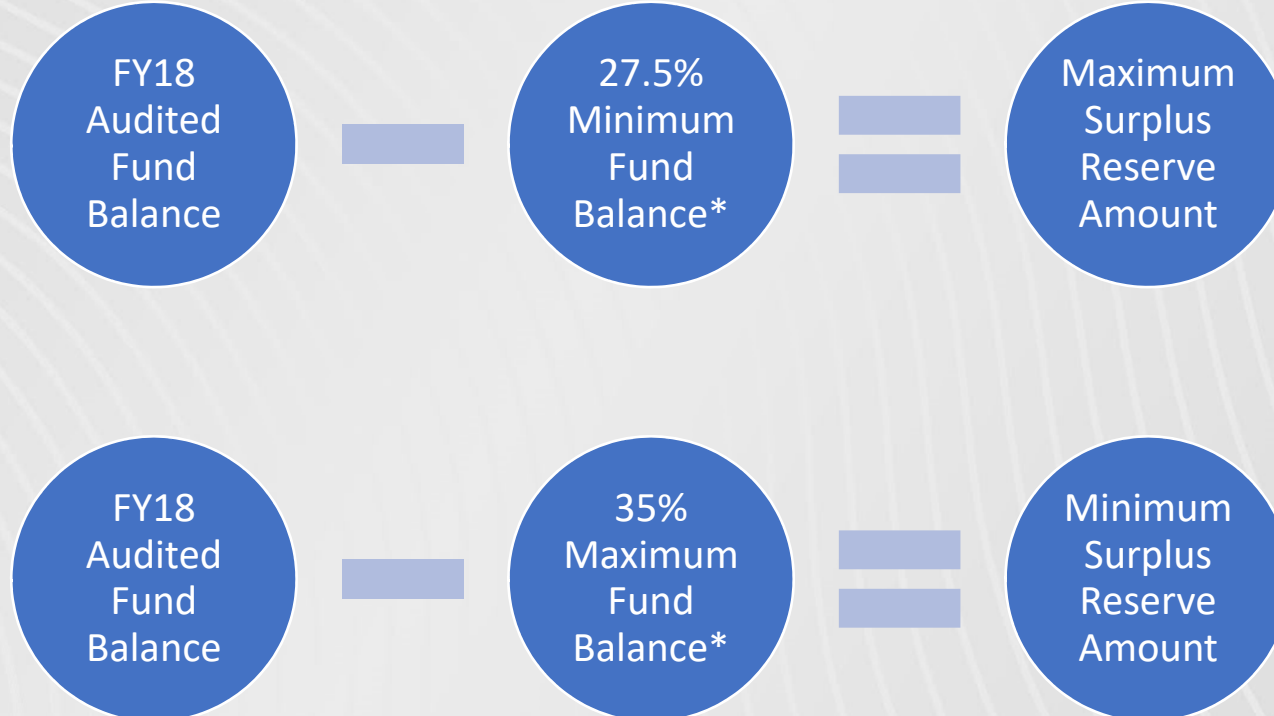


FUND BALANCE RESERVE REQUIREMENT CALCULATION



* IMRF, FICA and Risk Funds require only a 12% reserve in both scenarios

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SURPLUS RESERVE AMOUNT

- Historically “reallocated to capital” to fund CIP
- Not used for operations except in emergencies
- FY20 Budget and Financial Policies require report to F&A Committee



Both S&P and Moody's cited Lake County's healthy reserves and strong financial management as factors in their triple-A ratings

RESERVE REQUIREMENT (RR) CALCULATION

Reserve balance is currently at **33.8%** of unassigned audited fund balance

OPTIONS FOR USE OF RESERVES

- Allow all or a portion to remain in Reserves
- Designate all or a portion to the FY20 Capital Improvement Program (>\$200 Million of known capital improvement needs)
- Designate all or a portion to offset FY20 Operating Budget
- Designate all or a portion to fund FY20 New Program Requests

The image is a faded, light-colored photograph of a modern, multi-story building with a grid of windows. In the foreground on the right, there is a large, dark bronze bust of Abraham Lincoln, shown in profile facing left. The word "QUESTIONS?" is overlaid in the center of the image in a black, sans-serif font.

QUESTIONS?