



# Resolution 2021-145

**BOARD OF COMMISSIONERS  
SARPY COUNTY, NEBRASKA**

## **Approving Revision of Cash Balance Reserve Policy**

Whereas, pursuant to Neb. Rev. Stat. §23-104(6), the County has the power to do all acts in relation to the concerns of the County necessary to the exercise of its corporate powers; and,

Whereas, pursuant to Neb. Rev. Stat. §23-103, the powers of the County as a body are exercised by the County Board; and,

Whereas, cash balance reserves are an extremely important element of budgeting and provide a stable flow of cash during the fiscal year and provide a method of accommodating unexpected changes in financial conditions; and,

Whereas, Neb. Rev. Stat. §13-504 requires that the County’s budget document contain a cash reserve and further directs that the cash reserve shall be based upon the actual experience of prior years; and,

Whereas, the Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or general fund operating expenditures; and,

Whereas, the Sarpy County Board of Commissioners established a Cash Balance Reserve Policy on February 6, 2018; and,

Whereas, County management recommend that the Cash Balance Reserve Policy be modified to better safeguard the financial health of the County; and,

NOW, THEREFORE, BE IT RESOLVED, by the Sarpy County Board of Commissioners that the Cash Balance Reserve Policy is revised and established as follows:

1. The Minimum Total Cash Balance Requirement (MinTCBR) and Maximum Total Cash Balance Requirement (MaxTCBR) shall be annual determined as a percentage multiplied by the Net Budgeted Operating Expenditures for the following funds:
  - General Fund                      fund 100
  - Public Works                      fund 200
  - E-911 Communications        fund 941
  - Wireless Communications    fund 960
  - STOP Fund                        fund 2415
  - Inheritance Tax                 fund 2700

2. Net Budgeted Operating Expenditures shall be determined for the funds listed above as follows:

Total Budget of Expenditures for ensuing fiscal year	\$ _____
Less:	
Budgeted Cash Reserve from previous fiscal year	(\$ _____)
Budgeted Capital Outlays for ensuing fiscal year	(\$ _____)
Budgeted Transfers for ensuing fiscal year	(\$ _____)
 Net Budgeted Operating Expenses	 \$ _____

3. The MinTCBR and MaxTCBR shall be calculated based on the following:

	<u>[MinTCBR]</u>	<u>[MaxTCBR]</u>
Number of months reserve	Two	Five
Percentage	16.67% (2/12)	41.67% (5/12)

4. The Actual Cash Balance (ACB) shall consist of the cash balances as of June 30 for the funds described in I. above and shall exclude restricted cash. Restricted cash includes cash on hand with a limitation on the specific uses for the funds. An example of restricted cash are funds on hand from state and federal grants.
5. If the ACB is less than the MinTCBR, the revenues and expenditures in the General Fund will be budgeted in the ensuing fiscal year to allow the ACB to increase to the MinTCBR by the following June 30. If that is not feasible, a plan set forth in the budget adoption resolution shall be established to increase the ACB to the MinTCBR within three years.
6. If the ACB is greater than the MaxTCBR, the amount of funds over the MaxTCBR may be used as identified by the County Board for the following:
1. Acceleration of debt repayment;
  2. Capital improvement projects;
  3. Economic development projects.

The above Resolution was approved by a vote of the Sarpy County Board of Commissioners at a public meeting duly held in accordance with the applicable law on the 11 day of May 2021

Attest:  
SEAL



  
Sarpy County Chairman

  
Sarpy County Clerk/Register of Deeds Chief Deputy



## Recommendation to Modify Cash Balance Reserve Policy April 2021

**Background:** Best practice for county fiscal operations is to have an established cash balance reserve policy, and Sarpy County has had such a policy since adopted by the Board of Commissioners on February 6, 2018. This policy is a key component to ensuring fiscal disciplines and stability for the county, and is likely a key contributor to the county receiving Aaa credit ratings on recent bond issues, the highest rating possible.

**The current Cash Balance Reserve Policy establishes a minimum of two months (16.67%) and a maximum of three months (25%) of adjusted General Fund operating expenses to be budgeted as a Cash Reserve.**

However, there are three concerns with the current calculation methodology:

1. **The adjusted General Fund operating expenses do not include operating expenses in certain funds outside of the General Fund that are typical general government operations.** These operations are funded either in part or entirely by General Fund transfers every year. Therefore, these operations, and their costs, should be included in the denominator of the calculation for ensuring that Sarpy County has an adequate cash reserve. The two funds outside of the General Fund that are supported, in part or entirely, by the General Fund are Fund 200, Public Works (core operation, exclusive of road projects) and Fund 941, E911 Communications.
2. **The Minimum Total Cash Balance Requirement (MinTCBR) of two months, or 16.67% is an adequate minimum, but the Maximum Total Cash Balance Requirement (MaxTCBR) should be increased to five months, or 41.67%.** The pandemic of 2020 provides an example of the impact that a situation could present to county government, and raising the maximum only allows additional protection.
3. **The cash balance reserve policy should exclude cash received by the county that has specified uses or restrictions, such as funds received in 2020 and 2021 under the CARES and ARPA legislation.**

**Summary of Transfers:** The table below shows recent annual budget transfers to Public Works and E911:

	FY 2018	FY 2019	FY 2020	FY 2021
Public Works	\$3,196,174	\$3,196,174	\$3,300,000	\$1,130,000
E911	\$3,733,004	\$4,207,524	\$3,847,100	\$4,400,000

**Calculation:** The table below shows the calculated Cash Balance Reserve (as a percent of adjusted General Fund operating expenses) under the current methodology and under the proposed methodology:

	FY 2018	FY 2019	FY 2020	FY 2021
Current Methodology	29.7%	32.8 %	31.5 %	33.4 %
Proposed Methodology	25.5 %	26.8 %	26.9 %	29.9 %

**Recommendation:** The mechanics of the calculation should be modified to ensure that the Cash Balance Reserve Policy considers all operating costs funded by the General Fund, in whole or in part, the MaxTCBR should be increased from three to five months of operating expenses (from 25% to 41.67%) and restricted cash received for pandemic or other similar situations be excluded.



# AGENDA ITEM REQUEST 21-188

## Board Meetings - May 11 2021

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### ITEM DESCRIPTION

Resolution Revising Cash Balance Reserve Policy

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### SPEAKER

Bill Conley, CFO

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### SUMMARY AND BACKGROUND

As outlined in the whitepaper included with the resolution, this modification to the county cash reserve policy will increase the maximum allowed cash and refine the calculation to ensure the minimum and maximum calculations are based on the Net Budgeted Operating Expenses of the General Fund and of funds outside of the General Fund that are supported by the General Fund.

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### STAFF RECOMMENDATION

Approve.

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### FISCAL IMPACT

#### Fiscal Year

N/A

#### Total County cost of project:

None

#### Is Item in current year budget?

Yes  No

#### Does this item commit the County to future expenses beyond this amount?

Yes  No

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### ATTACHMENTS

[Resolution 2021-145 - Revise Cash Balance Policy \(2\)](#)  
[Whitepaper on Cash Balance Reserve Policy - April 2021](#)

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Submitted by: Bill Conley, CFO