

5.04.160 - Fund balance reserve policy required.

A. Definitions-As used in this section:

1. "Debt service funds" shall mean the General Services District General Purposes Debt Service Fund, the Urban Services District General Purposes Debt Service Fund, and the General Services District School Purposes Debt Service Fund.
2. "Fund balance" shall mean the accumulated amount of excess revenues minus expenditures in a particular metropolitan government fund that is unrestricted as defined in the fund balance reserve policy document.
3. "Fund balance reserve policy" shall mean a written policy, recommended by the mayor and adopted by resolution of the metropolitan council, requiring the metropolitan government to maintain adequate fund balance in its respective operating funds and debt service funds that:
 - a. Provides funding in the event of disaster, emergency, or other similar unusual, unanticipated, or unforeseen expenditures;
 - b. Provides for sufficient cash flows for daily financial needs to account for fluctuations in revenue sources;
 - c. Provides funds that can be used to offset revenue declines as a result of an economic downturn;
 - d. Details the conditions upon which fund balance can be spent;
 - e. Restricts fund balance from being used for recurring expenses or to pay one-time expenses not of an emergent nature, provided that the excess fund balance above the amounts stated in the policy may be used for any one-time expense as approved by the metropolitan council; and
 - f. Plans for replenishment of fund balance if amounts fall below policy-target levels.
4. "Operating funds" shall mean the General Services District General Fund, the Urban Services District General Fund, and the General Purpose School Fund.

B. The metropolitan government, at all times, shall maintain a fund balance reserve policy.

C. Consistent with the provisions of the Metropolitan Charter, this section, and the adopted fund balance reserve policy, the mayor and metropolitan council may make appropriations from fund balance.

D. Compliance with the fund balance reserve policy, including an assessment of whether appropriate amounts of fund balance are being maintained, shall be reviewed by the department of finance as part of the preparation of the annual operating budget. Any amendments to the fund balance reserve policy shall be submitted to the metropolitan council for review and approval, which shall be by resolution.

E. The department of finance shall post the fund balance reserve policy on the publicly accessible portion of the metropolitan government's website.

Section 2. That this ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This Ordinance adopts and codifies in Title 5 of the Metropolitan Code of Laws a requirement to adopt and

maintain a fund balance reserve policy. The new code section would define “debt service funds,” “operating funds,” and “fund balance.” It would define “fund balance reserve policy” to mean:

“[A] written policy, recommended by the mayor and adopted by resolution of the metropolitan council, requiring the metropolitan government to maintain adequate fund balance in its respective operating funds and debt service funds that:

- a. Provides funding in the event of disaster, emergency, or other similar unusual, unanticipated, or unforeseen expenditures;
- b. Provides for sufficient cash flows for daily financial needs to account for fluctuations in revenue sources;
- c. Provides funds that can be used to offset revenue declines as a result of an economic downturn;
- d. Details the conditions upon which fund balance can be spent;
- e. Restricts fund balance from being used for recurring expenses or to pay one-time expenses not of an emergent nature, provided that the excess fund balance above the amounts stated in the policy may be used for any one-time expense as approved by the metropolitan council; and
- f. Plans for replenishment of fund balance if amounts fall below policy-target levels.”

The Ordinance would require regular assessment of the fund balance reserve policy to assure it is meeting its purposes and to determine whether appropriate amounts are being maintained.

Resolution No. RS2022-1901 is tracking with this Ordinance. The Resolution would approve a fund balance reserve policy pursuant to the requirements of this Ordinance.