



Davidson County. Adoption of the Fund Balance Reserve Policies has the purported objectives of:

- a. documenting the responsibility for the oversight and management of Metro's Fund Balance Reserves;
- b. defining the types of fund balance that will comprise Metro's Fund Balance Reserves;
- c. defining the criteria for establishing and maintaining Metro's Fund Balance Reserves;
- d. defining the criteria for use of the Metro's Funds Balance Reserves;
- e. protecting and enhancing the Metropolitan Government's credit ratings; and
- f. promoting equity for all Metro residents.

The policy will set a minimum target of 17% of each governmental operating fund, which is equal to approximately two months of Metro's operating expenditures. The policy will set a minimum target of 50% of the budgeted debt service or a larger amount if necessary to avoid the need to issue tax anticipation notes.

The policy addresses the circumstances under which the Fund Balance Reserves can be utilized. For instance, the operating reserve could be accessed during the budget process in the event of an economic downturn. Both the operating reserves and debt service reserves could be used to address unusual, unanticipated, and unforeseen expenditures or unanticipated/unexpected revenue declines, but only after all other reserves or budgeted contingencies are exhausted.

Additionally, the policy addresses the method by which the reserves would be replenished if utilized as described above.

This resolution is a companion to BL2022-1632 which will create Section 5.04.160 of the Metropolitan Code of Laws requiring the Metropolitan Government to maintain fund balance policies.