



MEMORANDUM

TO: Mayor and City Commissioners

FROM: Janette Smith, CPA, CMC, City Clerk-Treasurer

DATE: February 10, 2026

RE: General Fund Balance Analysis

The General Fund's Fund Balance remains well below City target balances. The City's policy authorizes a target balance of 30% of annual budgeted operating expenditures to commit for emergency reserves and 10% for unassigned fund balance.

The Government Finance Officers' Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months (16.7%) of regular general fund operating revenues or regular general fund operating expenditures.

As of January 31, 2026, the Fiscal Year-end 2025 unrestricted fund balance in the General Fund is estimated at 7.24% of annual budgeted operating expenditures (as defined by City policy) and 8.07% of regular general fund operating expenditures (per GFOA recommendations). Because of the year-end sale of the 1937 Jenks Avenue property, a finding by the City's independent auditor of deteriorating financial conditions does not appear to be imminent for Fiscal Year 2025.

If activities for Fiscal Year 2026 occur as planned, the General Fund's unassigned Fund Balance is projected to be 5.53% and 6.22% of City policy and GFOA recommendations respectively at the end of the current fiscal year, assuming the same level of non-spendable and restricted fund balances.

While projections are currently beating forecasts, ending fund balance is still of great concern. It is advisable for the City Manager to further reduce Fiscal Year 2026 expenditures to avoid negative consequences that could occur should the City experience an unexpected change in economic conditions or other catastrophic event.