

FIN 2.04 Fund statement of purpose requirements

Each fund in the City will have a Statement of Purpose, adopted by ordinance of the City Council, that includes:

1. Purpose(s) of the fund.
2. Source(s) of revenues to the fund.
3. A method of establishing annual contributions to the fund, if any.
4. The bureau responsible for managing the fund.
5. Size and use of contingency, if any. Contingency levels will be based on the uncertainties associated with the purposes of the fund.
6. Size, purpose and alternative means of meeting required reserves, if any. Required reserve levels will be based on long-term operating needs of the fund and prudent management requirements, bond covenants or other legal requirements. Fund reserves should be sufficient to keep the fund from going into a negative balance at any time during the fiscal year and at year-end.
7. Plans for the disposition of funds if the fund is closed.

Internal service funds will maintain financial policies for their unique operations. Their statement of purpose will also include the following information, as appropriate:

1. For purchase of capital items, a method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing. Each fund statement will indicate which levels of purchases are suitable for either direct cash payment or financing.
2. Equipment replacement policies and reserves for equipment and major maintenance, where appropriate.
3. A method of clearly accounting for equipment reserves and purchases for each bureau.
4. A policy and procedure for protecting capital reserves from being used for operating purposes.
5. A method for periodically testing the cost-effectiveness of providing services internally versus contracting out or directly purchasing all or part of the services provided by the fund. For insurance-related funds, this will mean a method for periodically testing the cost-effectiveness of self-insurance versus the purchase of all or part of the City's insurance needs, as well as internal or contracted claims and loss-control services.