

# GRAND VALLEY METROPOLITAN COUNCIL

## Fund Balance and Cash Balance Policy

September 1, 2003

*The mission of the Grand Valley Metropolitan Council is to advance the current and future well-being of the people of the Grand Rapids metropolitan community by bringing together public and private sectors to cooperatively advocate, plan for, and coordinate the provision of services and investments which have environmental, economic and social impact.*

### Cash Balance Policy Objective:

To maintain the fiscal stability of the organization enabling GVMC to achieve its stated mission, as well as the mandates of its state, federal, and non-profit funding sources.

### Policy Considerations:

- The Metro Council has a relatively unique financial situation in that:
  - The largest portion of GVMC's funding is generated by the Transportation Planning Department which includes state and federal funding. As such, most of these funds are restricted to Transportation related uses specifically designated by the funding source.
  - GVMC is dependent upon payment from the State of Michigan for most of its funding. Payments from the State are historically late, and considering the payment shifting and "one time fixes" the administration has undertaken to balance the budget, GVMC does not foresee this situation improving. It would be prudent to anticipate that the State could even resort to extending payments out even further or prorating payments to balance its budget.
  - The portion of GVMC's fund balance that is receivables has ranged between 50% - 90%. Recently it has averaged 79%. Over the last three years the State of Michigan's portion of GVMC's receivables has averaged 93%.
- Portions of the cash balance are reserved for major planned expenses such as:
  - Programs which have been funded in previous years and extended into adjacent years (ex. Natural Resources, Blueprint, etc.)
  - Major upgrades to IT and equipment (Server replacement, computer upgrades, etc.)

**Policy:**

It is the policy of the Grand Valley Metropolitan Council to strive for both a total fund balance of 30% of expenditures and an unreserved cash balance of 3 months' operating expense (25% of its total budget).

**Review of Cash Balance:**

The unreserved cash balance shall be reviewed each year at the first Executive Committee Meeting of the new calendar year (January), provided the annual audit is completed at that time. If the unreserved cash balance and the overall fund balance exceed the recommended amounts, the Executive Committee has the authority to disperse the excess unreserved cash balance in the manner it chooses including the option of a partial refund of dues to members, holding the funds if it deems necessary, or bringing a proposed expenditure before the Board.