

CITY COUNCIL 6.G
CITY OF LYNNWOOD
CITY COUNCIL

TITLE: Resolution: General Fund Minimum Fund Balance Policy Update

DEPARTMENT CONTACT: Michelle Meyer, Finance

SUMMARY:

Discussion of potential update to the City's policy for the General Fund minimum balance

PRESENTER:

Michelle Meyer, Finance Director

ESTIMATED TIME:

20

BACKGROUND:

Section 5Ai of the City's Financial Policy references the City's General Fund minimum fund balance policy.

The current policy reads:

1. Adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength. Collectively, the adopted budget should include General Fund reserve balances equaling not less than 2.5 months of the operating expenditures of the prior fiscal year. The reserves specified by this policy consist of the aggregate total of the General Fund Unassigned Fund Balance and the Revenue Stabilization Fund balance.

It is within recommended best practices from the Government Finance Officers Association (GFOA) for governments to have policies that require anywhere from 2 months to 3 months of an operating reserve based on the entity's level of risk. Information from GFOA is attached.

SUGGESTED ACTION:

Review Resolution to update the City's Financial Policies to reduce the General Fund Reserve policy from 2.5 to 2.0 months of the operating expenditures of the prior fiscal year.

PREVIOUS COUNCIL ACTIONS:

City Council Finance Committee Meeting: September 24, 2025

FUNDING:

A reduction in the General Fund Reserve policy from 2.5 months to 2.0 months will reduce the

required minimum fund balance for 2025 by \$2.6 million which, based on current estimates, would result in policy compliance for 2025. There would still be a remaining gap of about \$8 million dollars that will need to be addressed to remain compliant for 2026.

DEPARTMENT ATTACHMENTS

Description:

[GFOA Fund Balance Guidelines for the General Fund.pdf](#)

[Resolution 2025-xx with Financial Policy Exhibit.pdf](#)