

Cash & Investments

Background

The City of Santa Barbara noted in their June 30, 2019 annual audit that their cash and investments across all of their funds was \$215,144,991. Each fund has their share of the cash and investments. Expenses that each fund pays will decrease their cash and investments and revenue that each fund receives will increase their cash and investments.

Availability

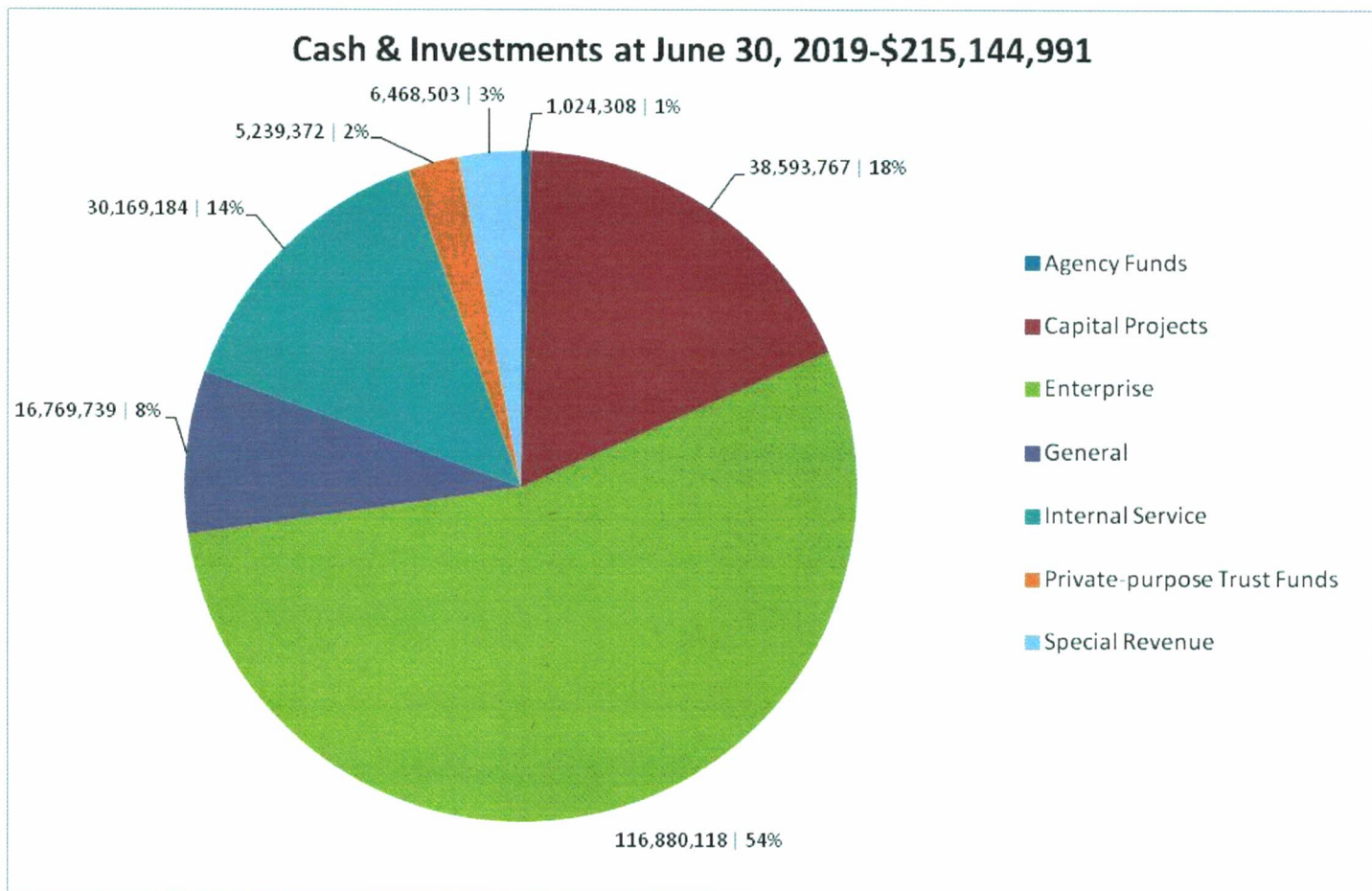
Each fund has a fund type per governmental accounting standards. The fund types have various restrictions on how they can be categorized. The restrictions on the fund type drive the restrictions on the cash and investments held in that fund.

- **Agency Funds**-account for assets held by the City as an agent for others.
- **Capital Projects Funds**-account for financial resources to be used for the acquisition or construction of major facilities other than those financed by Enterprise funds or Internal Service Funds.
- **Enterprise Funds**-account for business-type activities and are generally funded by rate payers such as water and wastewater.
- **General Fund**-the City's primary operating fund that accounts for all financial resources of the general government that are not required to be accounted for in another fund.
- **Internal Service Funds**-account for goods and service provided to internal customers on a cost-reimbursement basis such as fleet management or information technology.
- **Private-Purpose Trust Funds**-account for monies held on behalf of others in a fiduciary capacity.
- **Special Revenue Funds**-account for the proceeds of specific revenue sources that are restricted to expenditures for special purposes.

All of the fund types that are not the General Fund are restricted to the purpose of their funds with the exception of the Internal Service Funds. While not necessarily legally restricted, each fund paid their proportionate share into those funds for the stated purpose of that fund. This means those funds are not generally available for unrestricted use.

Within the General Fund (\$16,769,739 at June 30, 2019), the City has to adhere to City Reserve policies set by the City Council. These reserve policies state that the General Fund should set aside 10% of the operating budget for a contingency reserve as well as 15% of the operating budget for a disaster reserve. This amounts to approximately \$35 million dollars. The City uses the cash and investments and other liquid assets such as accounts receivable to meet this goal. At June 30, 2019, the City was slightly short of what was required in the reserves.

The following graph shows the breakdown of the cash and investments of the City by fund type:



Conclusion

The General Fund is the only unrestricted source of money and currently has almost enough money to set aside appropriate reserves per Council policy. Setting aside reserve money is both prudent and a common practice in all governments ensuring they can pay bills and payroll if a revenue stream is disrupted (i.e. the hotel tax during the Covid-19 outbreak).

In addition, using fund balance of any fund is considered one-time use of funding and should be used for one-time expenditures such as a capital asset need. To address operational needs, ongoing revenue and expenditure adjustments are required for sustainable financial health.