MEMORANDUM

To: Mayor and City Council

From: Kim Tiehen, Director of Strategic Financial Engagement

Date: October 14, 2025

Reference: Consider approval of revisions to the written Fund Balance Policy of the City of Coppell

2040: Sustainable Government

Introduction:
The purpose of this agenda item is to formally update the fund balance policy, as discussed at the July 7, 2025, budget workshop.

Background:
Financial policies provide for the basic framework for the financial management of the City. The policies are intended to assist the City Council and City staff in evaluating current activities and proposals for future programs.

A fund balance policy improves the quality of decisions, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a fund balance policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

The change that is being proposed to the Fund Balance Policy is to update the minimum ending fund balance for the Self-Funded Health Fund. The proposed change incorporates a recommendation from the City's new benefit consultant.

Current policy establishes minimum ending fund balance as the lower of:

- The sum of the six largest months of claims in the last 24 months, or
- Six months of average monthly claims since inception (2001).

Using an inception-to-date average is now misleading because the City's health fund has operated for more than 20 years, and early claim data no longer reflects current cost levels.

Revised policy establishes minimum ending fund balance as the average of:

- 35% of next year's budgeted claims (as projected by the City's benefits consultant); and
- Six months average claims based on the most recent 24-month period.

This approach blends historical claim trends with future cost projections to better reflect current risk and expected use of the fund.

The proposed change is highlighted on page 2 of the Fund Balance Policy attached to the agenda item with this memo.

Benefit to the Community:
Fund Balance policies are written guidelines that document sound financial management principles that will provide a stable financial base for the City.

Legal Review:
The agenda item was reviewed by legal as part of the agenda packet.

Fiscal Impact:
Financial policies provide for the basic framework for the fiscal management of the City.

Recommendation:
The Strategic Financial Engagement Department recommends approval of this agenda item.