NOTICE OF MEETING
CITY COUNCIL
OF THE CITY OF GALVESTON
THURSDAY, NOVEMBER 13, 2025 - 9:00 AM
ROOM 204 - CITY HALL
823 ROSENBERG, GALVESTON, TEXAS
TELEPHONE: (409) 797-3510

During the meeting, Council reserves the option to take short comfort breaks and/or a lunch break as their schedule and workload demands.

WORKSHOP AGENDA

1 DECLARATION OF A QUORUM AND CALL MEETING TO ORDER

2 ROLL CALL

3 DISCUSSION ITEMS

3.A Joint Meeting of City Council and Wharves Board

1 Discussion of a Mobility/Traffic Study as it Relates to the Port and City of Galveston (C. Brown/V. Pierson/City and Port Staff - 1 Hour)

3.B Clarification Of Consent And Regular City Council Agenda Items - This Is An Opportunity For City Council To Ask Questions Of Staff On Consent And Regular Agenda Items (1 Hour)

3.C Discussion of allocating $600,000 from the City's HOT Reserve Fund to the Park Board for a promotional and marketing partnership package with the FIFA World Cup 26 Houston™ Host City Committee" (M Miles/B Brown/C Brown/M. Robb - 20 min)

3.D Discussion of a Short Term Rental Ordinance (B. Brown/C. Brown - 15 min)

3.E Discussion related to Draft Fund Balance Policy. (Ludanyi - 20 min)

3.F Update and Discussion of the Stewart Beach Master Plan (M. Hay/A. Guerrero - 15 min)

3.G Update and Discussion of the Status of the Comprehensive Plan (P. Milburn - 15 min)

3.H Update and discussion of the status of Pump Stations (B. Cook - 15 min)

3.I Discussion of Changing Increments of Parking (Robb/C. Brown - 15 min)

3.J Pelican Island Bridge Update (Robb/C. Brown - 15 min)

3.K Discussion regarding the use of the Inn at the Waterpark for long-term residency, potential impacts on the City's FAA status, and compliance with the existing lease agreement (Robb/C. Brown - 15 min)

4 EXECUTIVE SESSION

4.A Pursuant To Texas Gov'T Code 551.071- Consultation With Attorney, An Executive Session Will Be Conducted To Discuss And Receive Legal Advice Concerning Pending Litigation And/Or A Settlement Offer, Or On A Matter In Which The Duty Of The Attorney

To The Governmental Body Under The Texas Disciplinary Rules Of Professional Conduct Of The State Bar Of Texas Clearly Conflicts With This Chapter, Related To The Following:

The South Shore Pump Station

5 ADJOURNMENT

I certify that the above Notice of Meeting was posted in a place convenient to the public in compliance with Chapter 551 of the Texas Government Code on 11/7/2025 at 11:10 AM.

Janelle Williams

Janelle Williams, City Secretary

In accordance with the provisions of Americans With Disabilities Act (ADA), persons in need f a special accommodation to participate in this proceeding shall, within three (3) days prior to any proceeding, contact the City Secretary's Office, Suite 201, 823 Rosenberg, Galveston, Texas 77550 (409-797-3510).

One or more members of the City Council may attend the meeting by videoconference. A quorum of the members of the City Council will be physically present at the meeting location.

City of Galveston

FINANCE
Csilla Ludanyi, Finance Director & CFO
CLudanyi@GalvestonTx.Gov | 409-797-3594 | www.galvestontx.gov

November 13, 2025

To: Brian Maxwell, City Manager
Hon. Mayor and City Council Members

From: Csilla Ludanyi, Finance Director & CFO

RE: Discussion related to Draft Fund Balance Policy. (Ludanyi)

I. Background

A. During the FY 2026 Budget process, City Council expressed interest in setting policy goals related to Fund Balances and Reserves.
B. Based on the ideas presented by Council, research completed by the Budget Department, and Best Practices recognized by national organizations such as the Government Finance Officers Association, the following DRAFT document is being submitted for City Council review and comment.

II. **Current Situation**

A. The current adopted and amended FY 2026 Budget follows fund balance and reserve standards that have been used in budgets historically in Galveston.
B. In the FY 2026 Budget, both the Information Technology and Garage Internal Service Fund Balances were adjusted as requested by City Council during the budget process.
C. The DRAFT policy provides a mechanism by which future fund balances and reserve funds will be managed.
D. DRAFT policy was scheduled for review by the FFAC on September 15, 2025 but due to no quorum the policy was not reviewed or discussed.

III. Issues

A. Fund Balances and Reserve Funds are managed first and foremost according to the City Charter Article VII. Finance, Section 9. Appropriations.
B. Additionally, any funding sources that have statutory or contractual restrictions maintain Fund Balance and Reserve Funds according to the associated restrictions.
C. Finally, GASB, the Governmental Accounting Standards Board, the governing body which determines the financial reporting standards for all municipalities in the United States, has established via GASB Statement 54, the standards by which all Fund Balances should be reported in an entity's annual financial report.

IV. Alternatives: Continue to adhere to existing standards without a policy document.

Finance Department
PO Box 779 | Galveston, TX 77553-0779
| 409-797-3594

FUND BALANCE AND RESERVE FUND POLICY

Fund balances and reserve funds enable the City to deal with unforeseen emergencies and changes in economic conditions. Adequate fund balance 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. Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages. Prudent use of reserve funds enables the City to defray future costs, take advantage of matching funds, and other beneficial (but limited) opportunities. In accordance with City Charter, Article VII, Section 9., at year end all unencumbered fund balances will be carried forward into each new budget year in the same fund in which they were allocated in the previous year unless otherwise authorized by City Council via the budget adoption process.

ACCOUNTING DEFINITIONS

Fund Balance Definitions As defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City will reserve funds per the following:

A. Non-spendable Fund Balance - Inherently non-spendable portions of net resources that cannot be spent because of their form or portions of net resources that cannot be spent because they must be maintained intact.
B. Restricted Fund Balance - Externally enforceable limitations, on the use of funds, that are imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. Debt Service fund balance will be designated as restricted.
C. Committed Fund Balance - Self-imposed limitations, on the use of funds, that are set in place prior to the end of a period. Limitations imposed at highest level of local decision-making that require formal action at the same level to remove. Capital Project fund balances typically will consist of funds designated by City Council for future capital improvement projects.
D. Assigned Fund Balance - Limitations resulting from intended use that is established by the highest level of decision-making or intended use established by the City Council for a specific purpose. The resources for these funds may be acquired through the budgeting process or funds that are deposited with the city for specific

purposes. Special Revenue fund balances typically consist of funds assigned by other governmental agency for specific use or by the City Council specific use.

E. **Unassigned Fund Balance** - Residual net resources that make up the fund balance in the general fund above non-spendable, restricted, committed, and assigned fund balance. The General operating fund balance typically will consist of unassigned funds for use by the City Council.
F. **Reserve Funds** – Funds budgeted in the Special Revenue Funds to allow for allocation throughout the year by the City Council for new projects.

FUND BALANCE GOALS AND LIMITS BY FUND OR FUND GROUP

General Fund – Fund Balance

The City shall maintain a minimum fund balance of 90 days in the General Fund as established in Article VII. Section 20 of the City Charter. The General Fund minimum fund balance shall mean the dollar amount of Unassigned Fund Balance. This fund balance is intended to provide stability in the event of unexpected changes to revenues or expenses, and in support of cash flow needs throughout a budget year. A healthy Unassigned Fund Balance is needed to provide cash flow to pay expenditures when due. The Unassigned Fund Balance is a security against emergency needs, i.e. natural disasters, etc. These funds shall be used to manage City cash flow needs throughout the budget year and to pay for emergencies that cannot reasonably be accommodated by current budget appropriations.

The target fund balance is 33% (120 days) of the current expense in the General Fund's annual expenditure budget.

If the General Fund balance falls below minimum fund balance as defined above, the City Manager shall prepare and present to the City Council a recommended plan to replenish the reserves. The City Council shall review and adopt a replenishment plan within six months after the policy fund balance levels first fall below the minimum levels. Once adopted, the replenishment plan's progress will be reviewed periodically with the City Council but no less than every calendar year until such time as the fund balance is replenished to or above the minimum levels described above. During such time that the Unassigned Fund Balance is below the 90-day minimum, the city will no longer make transfers to the Infrastructure and Debt Service Fund as stipulated in City Charter, Article VII., Section 20.

Utility and Enterprise Funds

The fund balance of each Utility Fund shall have a targeted level of at least 90 days of the utility's annual operating costs. The primary purpose of the fund balance is to provide a ready source of cash in case of an emergency. Additionally, this fund balance can provide cash for operations in case of unexpected seasonal variations in revenue or expenses, or to support operations in a year in which revenues are abnormally low.

Each utility fund may maintain a separate capital contingency reserve in the associated Capital Improvement Fund.

Restricted Debt Reserve.

To the extent that the City issues debt containing debt covenants (e.g. Revenue Bonds) that require the City to maintain a restricted cash reserve during the term of the debt repayment period, those restricted fund balances shall be maintained in a Restricted Fund Balance for such purpose. This reserve is to safeguard the purchasers of the debt and may be used to fund the final installment or last year's debt service.

Internal Service Funds Reserve.

Internal Service Funds provide services that support the work of the City. Internal Service Funds predominantly receive revenue from the participant departments benefitting from their services in direct relationship to the cost of service provision. Fund balances occur when revenue contributions exceed actual expenditures. The purpose of each Internal Service Fund directly determines the need and potential limits for fund balance.

A. Central Services Fund – Provides Facilities, Information Technology, Mailroom, and Community Outreach Services. Limit for Unrestricted Fund Balance should average around $500,000 over a 5-year period separately for both Facilities and Information Technology
B. Central Garage Fund – Provides Garage, Fleet, and Fuel services. Limit for Unrestricted Fund Balance should average around $750,000 over a 5-year period.
C. Casualty & Liability Insurance – Provides for casualty and liability insurance for all aspects of the city government. Unrestricted Fund Balance should average around $500,000 over a 5-year period.

D. Workers' Compensation Fund – Provides workers' compensation insurance for all aspects of city government. Unrestricted Fund Balance should average around $500,000 over a 5-year period.
E. Health & Life Insurance Fund – Provides for a self-funded health and life insurance plan for all full-time city employees. Fund balances in this fund provide security against large or unanticipated claims and also provide funding to offset Other Post-Employee Benefit (OPEB) liabilities. The city will continue to explore ways to decrease OPEB liabilities, including the use of Trust Funds. The city will manage these fund balances to best achieve the goals of providing for self-funded health insurance and also decreasing the city's OPEB liabilities. As part of each year's budget presentation, the Manager will address the level of fund balance needed to achieve the stated objective.
F. Pension Reform Fund – Provides funding for improvements to the city's pension plans. Funding is held in reserve until such time that a pension improvement is selected and allocated. As part of each year's budget presentation, the Manager will address the level of fund balance needed to achieve the stated objective.
G. Separation Pay Fund – Provides funding for separation pay for all accruals for all employees upon separation from employment with the city. Fund balances will be carrying forward each fiscal year. As part of each year's budget presentation, the Manager will address the level of fund balance needed to achieve the stated objective.

Special Revenue Funds – Fund Balances

Special revenue funds are funds restricted and used for specific purposes, and as a result the corresponding fund balance will be used to solely support that purpose. Fund balances in special revenue funds will be monitored to stay consistent with the need and use of the specific purpose of that fund. Statutory limits prevent the use of these fund balances for purposes other than those permitted by the revenue stream restrictions.

Capital & Grant Funds – Fund Balances

All Capital & Grant Funds retain their designated fund balances either in reserve for future allocation or as Assigned or Unassigned Fund Balance. This includes Infrastructure & Debt Fund, Improvement Funds, Grant Funds and Bond Funds.

Excess Fund Balance

All deliberate spending of Unassigned Fund Balance to the reach target levels should be used toward (1) one-time projects, (2) capital expenditures, and (3) the re-funding of contributions to originating funds in appropriate ratios to reduce future funding needs. Excess Reserves above the targeted reserve levels may be allocated via the budget process with emphasis on one-time uses that achieve future operating cost reductions, capital asset investments with a long-term benefit, or prepaying existing debt. Use of excess reserves will be determined by the City Council budget approval process.