

FUND BALANCE /RETAINED EARNINGS POLICY

GENERAL FUND

1. The City will maintain a minimum unassigned General Fund balance to be used for unanticipated emergencies of not less than seventeen (17) percent of the General Operating Budget (excluding Capital Outlay). This is a minimum level necessary to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing and assist in the maintaining an investment grade bond rating. Consideration must also be given to the number of months of coverage the minimum level provides. A minimum level of two (2) months of regular General Fund operating expenditures should be maintained within the fund balance
2. To the extent that the unassigned General Fund balance exceeds the targeted seventeen (17) percent, the City may draw upon these funds to provide pay-go financing for capital projects or for other one-time capital items. The City may designate parts of the unassigned General Fund balance that would represent tentative management plans rather than actual restrictions on the use of the funds. The funds may also be used to allow time for the City to restructure its operations in a deliberate manner but only in the context of long-term fiscal planning.
 - a. If the fund balance should fall below the above minimum due to use for an unplanned emergency situation, defined as a sudden steep decline in revenue from which no reasonable expenditure reduction or tax rate increase can be planned and implemented in a timely fashion, the City will budget a portion of General Fund revenue estimated for that fiscal year in an amount to get back to the seventeen (17) percent within five (5) fiscal years.

ENTERPRISE FUNDS

1. The City will strive to maintain sufficient retained earnings in the Enterprise funds to ensure its working capital needs, minor continuing system improvements, and general system improvements needs are met. In addition, there is a review and monitoring of the Enterprise funds retained earnings for the Enterprise Fund Dividend Transfer Policy. This dividend transfer policy includes a minimum working capital reserve level of two (2) months.

HEALTH INSURANCE FUND

1. The City will maintain a minimum unassigned fund balance:
 - a. that covers thirty (30) percent of its annual total expenditures excluding transfers to other city funds;
 - b. that will adequately fund annual Other Post Employment Benefit (OPEB) trust as determined from prior year actuarial report; and
 - c. that covers a minimum level of three and half (3.5) months of regular health insurance fund operating expenditures.

2. To the extent all of the above conditions are met, transfers of surplus fund balance amounts can be utilized to reimburse other city funds for prior year accumulations based upon percentage of funding provided by each fund.

Approved: August 20, 1993

Amended: November 14, 2017