

**CITY OF GUSTAVUS, ALASKA
RESOLUTION CY18-18**

**A RESOLUTION ESTABLISHED POLICY AND PROCEDURE
FOR THE UNRESTRICTED FUND BALANCE**

WHEREAS, the City of Gustavus's annual operating budget has yielded a surplus in recent years, and

WHEREAS, the Gustavus City Council is in the process of reapportioning the reserve accounts held by the city, and

WHEREAS, the Government Finance Officers Association recommends maintaining a minimum level of unrestricted fund balance, with that level contingent on revenue predictability, expenditure volatility, availability of other resources, and other factors, and

WHEREAS, formal action is needed to adopt policy and procedure in order to manage unrestricted funds in the future,

NOW THEREFORE BE IT RESOLVED, that the Gustavus City Council accepts the document entitled "Policy and Procedure for Unrestricted Fund Balance", as presented by this Resolution.

PASSED and **APPROVED** by the Gustavus City Council this 14th day of May, 2018, and effective upon adoption.



Barbara Miranda, Mayor



Attest: Phoebe Vanselow, City Treasurer

**CITY OF GUSTAVUS
POLICIES AND PROCEDURES**

Unrestricted Fund Balance

POLICY

The City of Gustavus has determined it to be a sound, financial practice to maintain adequate levels of unrestricted fund balance in its General Fund to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures. Additionally, the City believes that adequate unrestricted fund balance levels are a critical consideration to the City's long-term financial planning. In this regard, the City has established the following fiscal policy related to its unrestricted fund balance.

PROCEDURE

Maximum and Minimum Amounts

The City will maintain a minimum unrestricted fund balance of at least two months or approximately 17% (\$145,000 of an \$850,000 budget), as recommended by the Government Finance Officers Association (GFOA), of its General Fund operating expenditures. The City's maximum unrestricted fund balance shall not exceed 35.0% (\$297,500 of an \$850,000 budget) of General Fund operating expenditures. Not precluding the aforementioned minimum and maximum percentages, the City will annually target to maintain a 25.0% (\$212,500 of an \$850,000 budget) unrestricted fund balance percentage level as part of its annual budget process.

Use of Funds

While targeting to maintain an annual unrestricted fund balance of 25.0%, the City understands there may be circumstances that warrant that the City use these funds temporarily. The City has established the following instances where it may elect to use these funds:

- An economic downturn in which revenues are below budget
- Unexpected and unappropriated costs to service and maintain current City operations
- Unexpected and non-budgeted emergencies, natural disaster costs, and/or litigation
- Grant matching
- Early retirement of debt
- To cover deficits in other funds due to a shortfall in budgeted revenues
- Capital asset acquisition, construction, and improvement projects

All procurements from the unrestricted fund balance must follow standard procurement processes established by the City, except for emergency and/or natural disaster costs.

Terms for Replenishing

In instances where the City elects to use its unrestricted fund balance for capital asset acquisition, construction, and improvement projects, the City shall replenish the unrestricted fund balance to its previous level as soon as possible, but only after the

City's current operational needs are met, and in no case, more than two years subsequent in which the unrestricted fund balance was used. For any and all other instances, as permitted by this policy, in which the City elects to use its unrestricted fund balance, the City will replenish the unrestricted fund balance as soon as revenues are available, but only after the City's current operational needs have been met.

Excess Funds

In the event the City has accumulated its permitted, maximum unrestricted fund balance of 35.0%, the City, at the discretion and determination of City Council and the City Administrator or City Treasurer, will designate such excess funds for the following purposes:

- Reserves for capital improvement projects
- Reserves for repair and replacement of City facilities
- Reserves for or funding of road maintenance
- Contributions to the Endowment Fund (as long as the excess funds are from a non-city-tax source, per Municipal Code Section 4.13.030)

Other savings or investment instruments or expenditures to be determined by the Council.

Review of Policy

The City Treasurer will review the Unrestricted Fund Balance Policy annually in connection with the City's annual budgeting process to ensure that the City is maintaining adequate unrestricted fund balance levels. Additionally, at least every three years, the City Council will review the policy and will make recommendations for modification as deemed appropriate. This policy was written using the guidelines set forth by the GFOA. As such, any updates issued by the GFOA shall be considered by the City Council when making recommendations for modifications to this policy.