

# CITY OF MARSHFIELD, WISCONSIN POLICIES AND PROCEDURES

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CHAPTER: Budgets

SUBJECT: Unreserved Undesignated General Fund Balance

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Chairman, Finance, Budget and Personnel Committee

DEPARTMENT OF PRIMARY RESPONSIBILITY: Finance Department

Special Notes: This policy/procedure manual does not in any way constitute an employment contract and the City of Marshfield reserves the right to amend this manual at any time subject only to approval by the Common Council.

#### I. POLICY STATEMENT

The purpose of this policy is to establish a framework for utilization of the unreserved undesignated fund balance in the general fund. These guidelines will provide direction during the budget process and demonstrate a commitment to long-term financial planning.

This policy will be a positive factor in the municipal market's assessment of the City's credit quality. It is important for the city to maintain appropriate reserves to withstand economic downturns and to have adequate cash reserves until the balance of state shared revenues are received in November. Bond rating agencies may look unfavorably if the unreserved undesignated fund balance of the City falls below the parameters established in this policy.

## II. PURPOSE OF UNRESERVED UNDESIGNATED FUND BALANCE

The unreserved undesignated fund balance provides operating funds near the end of the fiscal year when cash reserves start to deplete prior to the receipt of the majority of state shared revenues in late November. If the city does not maintain adequate reserves, there may be years when the city has to borrow short-term prior to the receipt of state shared revenues in November.

Also, the unreserved undesignated fund balance provides funds for unforeseen contingencies. Reserves provide flexibility to withstand economic downturns without compromising recurring structural balance (annual revenues equal to or greater than annual expenditures).

## III. POLICY

The City shall maintain an unreserved undesignated fund balance that is between 25% to 30% of the annual General Fund budgeted expenditures. Amounts exceeding 30% of the annual General Fund budgeted expenditures shall be designated for non-recurring expenditures (e.g. a capital project or special program) if possible. As an alternative, the unreserved undesignated balance may be applied to reduce the subsequent year's tax levy during the annual budget process. Caution shall be exercised to ensure the utilization of fund balance does not result in a spike in the required subsequent year tax levy.

## IV. PROCEDURE

The Finance Director shall annually provide an estimate of the current year-end unreserved undesignated fund balance to the City Administrator during the budget process. The City Administrator will recommend utilization of the unreserved undesignated fund balance according to this policy.

If the unreserved undesignated fund balance is estimated to fall below 25% of the General Fund budgeted expenditures, the budget shall be designed to ensure the unreserved undesignated fund balance is replenished to an amount representing at least 25% of the General Fund budgeted expenditures not including one-time purchases utilizing the unreserved undesignated fund balance.