

CITY OF SULTAN
SULTAN WASHINGTON

RESOLUTION 20-21

A RESOLUTION OF THE CITY OF SULTAN ADOPTING FUND
RESERVE POLICES FOR THE CITY'S OPERATING FUNDS

WHEREAS, the Council has determined that adequate reserve 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, and

WHEREAS, the maintenance of fund balances for each operating fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages or unexpected expenses. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition, and

WHEREAS, the State Auditor and bonding agencies encourage the adoption of written fiscal policies, and

WHEREAS, Resolution 11-20 established the timing of reserve levels and Resolution 14-6 established financial policies, and

WHEREAS, the City of Sultan wishes to update the reserve resolution and update the financial policies to meet the needs of the community, and

WHEREAS, the focus of this Resolution is to define how much the City needs to maintain in operating reserves, and when the City can invest a percentage of the reserves, and

WHEREAS, this Resolution will provide a mechanism for the City Council to use when establishing how to invest in the funds over and above the defined reserve levels,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sultan that the attached document entitled "Operating Reserve Policy" is hereby adopted.

PASSED AND ADOPTED this 24TH day of September, 2020.



Russell Wiita, Mayor

ATTEST:



Tami Pevey, City Clerk

City of Sultan
Operating Reserves Policy

Purpose:

Fund balance is the uncommitted resources of a fund. It is the policy of the City to construct the various fund budgets in such a way that there will be sufficient uncommitted resources to cover cash flow needs at all times, regardless of seasonal fluctuations in expenditures or revenues, to provide adequate reserves for emergency needs, and to provide on-going investment earnings.

Adequate reserve 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 balances for each operating fund assures adequate resources for cash flow and mitigates short-term effects of revenue shortages. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition.

General Policy:

The City shall maintain reserves required by law, ordinance and/or bond covenants.

The City will maintain a 90-day reserve in all its fund balances.

If there is a need, all expenditures drawn from reserve accounts shall meet clearly defined parameters. The following steps must be met before the Council will consider drawing down the reserves below the defined level of 90-days. In addition, the reserves will not be drawn below 45-days for the operating funds.

- The need must be an emergency in nature. Not something that can be programed in a future budget.
- The Finance Director must establish a plan on how to replenish the reserves.
- The Department where the investment is being requested must present the total costs for the project and why other resources can not be used at that time.
- The Finance Director will present to Council financing options and why utilizing the reserve funds is the best approach to the needed investment.

General Fund Operating Reserve:

The General Fund is used to account for all general revenues of the City not specifically levied or collected for other City funds, and for expenditures related to providing general services by the City.

For the purposes of this policy as it applies to the General Fund only, the City has established a Contingency Reserve Fund. The balance in that fund shall be in accordance with RCW 35A.33.145.

The General Fund will maintain a reserve of 90-days. Any fund that exceeds this amount will, through the budget process, establish priorities on how to invest these resources.

It will be accomplished in the following way:

- The Finance Director will present a report to the Mayor and Administrator on the resources within each fund.
- The Mayor and Administrator will then work with the department heads on key priorities, where these resources should be invested.
- The Mayor and staff will present these recommendations to the Council at the annual budget retreat.
- Council will evaluate these priorities as well as priorities that they believe are important for the community. These priorities will then be programed into the budget.

In addition to the General Fund, the City has several enterprise funds. These funds operate as utilities. This Resolution will only address the operating funds within the utilities, it will not address the capital funds that each fund has. Investments within the capital funds will be determined through the budget process each year.

Enterprise Fund Operating Reserve:

The City shall maintain a 90-day reserve within each of the operating funds. The approach to utilizing these funds will be the same as within the general fund. This Resolution applies to the following funds:

1. Street Fund
2. Cemetery Fund
3. Water Fund
4. Sewer Fund
5. Stormwater Fund