

CITY OF EUREKA

Category: FINANCE

POLICIES & PROCEDURES

Subject: Unrestricted Fund Balance Policy

Date Adopted:

File 2.67
Number

POLICY OBJECTIVE

The purpose of this policy is to establish guidelines for the unrestricted fund balance in the general fund. Its aim is to improve and maintain the City's financial stability in order to protect against unforeseen or unbudgeted situations. These situations may include sudden changes in revenues or spending requirements, natural disasters, major infrastructure failures, and unexpected litigation.

POLICY:

These policy guidelines will provide direction during the budget process and demonstrate a commitment to maintain adequate reserves for financial stability and for long-term financial planning:

- The City will maintain an unrestricted fund balance in the general fund of not less than three months (90 days) of regular general fund operating expenditures and transfers out.

The use of unrestricted fund balance will be permitted under certain circumstances:

- Emergency: An emergency is determined by the Council. It will always reflect a careful balancing of the City's desire to maintain adequate reserves with its desire to maintain essential services.
- If the unrestricted fund balance goes over the 180-day benchmark, the use of such excess funds should be for capital projects and other one-time uses.

If the unrestricted fund balance in the general fund is less than three months of regular general fund operating expenditures and transfers out:

- The Finance Director will be responsible for recommending and submitting a plan to replenish reserves to the minimum levels. This plan will outline the source of funding for the replenishment. The Council will review and approve the plan. The replenishment of reserves should be completed within a 36-month period.