



City of Lockport

Fund Balance Policy

Resolution 022223.9

WHEREAS, in compliance with the New York State Office of the Comptroller, all governmental entities are recommended to have and maintain a fund balance policy that identifies appropriate fund balance levels as they relate to our cash flow, annual budgets, and contingency; and

NOW THEREFORE BE IT RESOLVED, that the City of Lockport does hereby adopt the following fund balance policies and procedures:

Guideline #1 – Use of Fund Balance: Fund balance is the accumulation of prior years' excess or deficit of all revenues and expense. For the purposes of the budget, revenue and expense activity includes bond proceeds and debt service. Available fund balances shall not be used for ongoing operating expenditures, unless a determination has been made that available balances are in excess of required guidelines and plans have been established to address any future operating budget shortfalls. Emphasis shall be placed on one-time uses that achieve future operating cost reductions and/or service level efficiencies.

Guideline #2 – General Fund: The City shall maintain a minimum unrestricted fund balance in the General Fund equal to 20% of the following year's General Fund budgeted expenditures to be used for cash flow purposes, to cover unanticipated expenditures of a non-recurring nature, to meet unexpected increases in service delivery costs and/or to cover unexpected revenue shortfalls. These funds are used to avoid cash flow interruptions, generate interest income, and to avoid the need for short-term borrowing. Each year, the City shall budget an operating budget contingency of not less than 1.25% of all budgeted General Fund expenditures

Guideline #3 – Non-General Governmental Funds: The appropriate balances shall be the amount needed to maintain positive cash balances throughout the year with exceptions made for those funds associated with economic development purposes which may be aggregated by fund type to maintain a positive balance. An adequate operating contingency expense shall be budgeted to provide for business interruption costs and other unanticipated or unbudgeted expenditures. Enterprise funds shall also maintain adequate reserves for emergency

improvements relating to new regulations, or emergency needs for capital repair or replacement.

Guideline #4 – Enterprise Funds: The City shall maintain a minimum cash balance in its Enterprise Funds equal to three months of operating expense, or 25% of the funds' annual operating budget. This balance shall be maintained to ensure adequate maintenance reserves, operating cash flow requirements, debt service requirements and legal restrictions. Where cost-effective access to capital markets is available and debt financing is regularly used, replacement balances shall not be maintained in a manner which charges current consumers to pay for future facilities, with exceptions made for those funds associated with economic development purposes. Balances in excess of three months of operating expense may be utilized for capital purchases and replacements in lieu of debt financing if doing so allows for continued maintenance of appropriate balances and funding plans. Alternatively, surplus cash reserves may be used for early debt retirement at the recommendation of the Finance Director and City Treasurer, and approval of the Common Council. Financing decisions shall consider the impact on user rates.

Guideline #5 – Internal Service Funds: To ensure adequate maintenance reserves, cash flow balancing requirements, and legal restrictions, the Self-Insurance Funds shall maintain a cash balance equal to the unpaid claim reserves payable amount on its balance sheet, as defined by the independent actuary plus 10% of the annual department operating budgets within the fund. Net position within the fund should not fall below zero.

Guideline #6 – Annual Review: An annual review of cash flow requirements and appropriate fund balances shall be undertaken to determine whether modifications are appropriate for the reserve policy.