

## CITY OF WAUKESHA

### FINANCIAL POLICIES AND PROCEDURES (F-4.0)

#### FUND BALANCES AND CONTINGENCY RESERVES

4.1 In the course of a normal fiscal year it may be necessary for the City of Waukesha to have on hand sufficient cash to withstand reasonable unexpected financial emergencies resulting from natural disasters, revenue shortfalls or severe changes in the economy. It may also be necessary to have a reserve of cash to meet known seasonal fluctuations in revenue causing temporary cash flow shortages. Having such a cash reserve also allows the city to secure and maintain investment-grade bond ratings which, in turn, reduces bond interest rates.

#### 4.2 Fund Balances

To provide for the above the City of Waukesha will adopt budgets with a target General Fund unreserved and undesignated fund balance of 15 percent of the previous year's General Fund budget. In no event will this fund balance be less than 10 percent nor more than 20 percent of said budget.

4.3 In the event the fund balance is anticipated to be greater than 20 percent the excess fund balance may be used in one or a combination of the following ways in order of priority:

4.3.1 One-time expenditures that do not increase recurring operating costs.

4.3.2 Other one-time costs or the establishment of or increase in legitimate reserves or designated fund balances.

4.3.3 Start up costs for new programs if such action is considered in the context of projections of revenues and expenditures for that program.

4.4 If the fund balance is anticipated to be below 10 percent of the budget the City Administrator will prepare and submit a plan for expenditure reductions and/or revenue increases that will restore the unreserved, undesignated fund balance to an acceptable level within one year.

#### 4.5 Contingency Reserves

Insofar as the fund balance cash reserve is intended for emergency use only the City of Waukesha will establish a contingency reserve account within the General Fund. The contingency account is intended to provide a budget for unanticipated expenses of a non-recurring nature or for unexpected increases in the cost of essential goods or services. The use of funds in the contingency budget will be by Common Council approval only.

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**4.6** The City Administrator will recommend an amount to be budgeted in the Contingency Account as part of the annual Executive Budget. Application for use of the contingency budget will be made to the City Administrator who will forward the request with a recommendation to the Finance Committee for their recommendation to the Council. Upon approval, the approved amount will be encumbered for use as approved. The approved expenditure will be made from the appropriate expenditure account. A transfer from the Contingency Account to the expenditure account will be made only upon determination by the City Administrator that the overlying department budget will be exceeded because of the approved expenditure.

### 4.7 Other Fund Balances

Reserved fund balances will be maintained in the Sewer Utility in accordance with 1979 Revenue Bond and Clean Water Fund loan provisions.

**4.8** Fund balances in other funds will only be maintained in accordance with specific policies or externally established requirements for that fund.