

GENERAL FUND BALANCE POLICY

Policy Purpose

The purpose of this policy is to establish a target level of fund balance for the general fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. For the purpose of this policy, the general fund does not include any sub funds of the general fund, such as the budget stabilization fund and economic development fund as well as any other funds that are included as part of the general fund for GAAP related purposes.

It is the intention of this policy to provide guidelines during the preparation of the annual budget to ensure that sufficient reserves are maintained and to preserve flexibility throughout the fiscal year.

Background

Fund balance is intended to serve as a measure of financial resources in a fund. The City has taken into account the following factors in establishing an appropriate level of fund balance:

- User fees;
- Taxes;
- Budget Management;
- Future Uses;
- Demand for uses;
- Volatility of revenues;
- Volatility of expenses;
- Control of expenses;
- Management plans for capital projects; and
- GFOA Best Practices

General Fund Balance Policy

It is the policy of the City of Brooklyn to maintain a target unencumbered fund balance in the general fund equal to or greater than 25% of annual expenditures measured on a budgetary basis of accounting. For the purpose of this policy, unencumbered is after encumbrances and annual expenditures includes any transfers out of this fund.

Furthermore, in the event that the unencumbered fund balance falls below the target level above and/or the City's five year financial forecast projects the unencumbered fund balance below the target level above, the City will perform the following:

- Develop a plan through the annual budgetary process to bring the balance back to the target balance level.
 - This plan shall consist of the following:
 1. Controlling expenditures
 2. Expenditure modifications;

3. Requirement of a structurally balanced budget in which recurring revenues exceed expenditures
 4. Use of one time or nonrecurring revenues
 5. Analyzing adjustments to revenue sources;
 6. Long term forecasts and economic conditions;
 7. Budget stabilization fund;
- This plan shall take up to one year to finalize and an additional two years to execute. This plan shall contain milestones for gradual replenishment.

City Council reserves the right with a majority vote to temporarily reduce the fund balance below target level above to a minimum fund balance of 10% of annual expenditures measured on a budgetary basis.

Monitoring and Reporting

The Finance Director shall report the year end budgetary fund balance in January of the subsequent year.

The Finance Director shall review this policy annually and present any proposed modifications or changes to the Mayor and City Council by May 1st of the fiscal year in advance of the budgetary process. City Council will then review and vote on any proposed changes if necessary.