

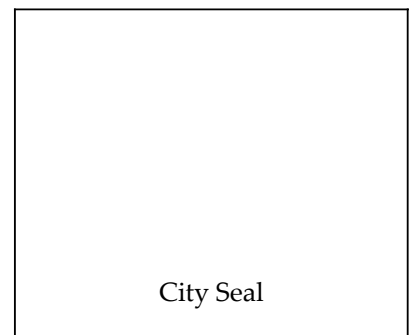
CITY OF PRESQUE ISLE

Policy on Unreserved, Undesignated General Fund Balance



Approved by the City Council: July 6, 2009

Attest: _____



POLICY ON UNRESERVED, UNDESIGNATED GENERAL FUND BALANCE

The City shall maintain an adequate unreserved, undersigned general fund balance to provide fiscal stability, and a hedge against economic uncertainty. The following factors shall be considered in establishing the amount and use of the undesignated fund balance:

- The unreserved, undesignated general fund balance shall be based on a percentage of the total budgeted or anticipate expenditures of the City, School, and County for the current year.
- The unreserved, undesignated general fund balance shall be the amount anticipated to be available on December 31 of the current year.
- In setting an appropriated target range for the unreserved, undesignated general fund balance, both this account and the emergency reserve fund (Section 5.80 of the City Charter) shall be considered.
- A target of 16% (two months of expenditures) is an appropriate level to maintain as an unreserved, undesignated general fund balance.
- This target balance can be reduced to 12% *if* a minimum of 4% of budgeted or anticipated expenditures is maintained in the emergency fund reserve.
- If the balance in the emergency fund falls below 4% of the total budgeted expenditures, the unreserved, undesignated general fund balance shall be increased by the percentage the emergency fund balance falls below 4%.
- If the unreserved, undesignated general fund balance exceeds the target range, the City Council may allocate such amount as they deem appropriate to reduce future one-time costs. Such allocations

should *not* be used to fund any portion of its ongoing and routine year-to-year operating expenses or allocations to departmental capital program reserve accounts.