

TOWN OF EATONVILLE

Agenda Staff Report

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| Agenda Item No.: | _____ | Meeting Date: | <u>May 11, 1015</u> |
| Subject: | <u>A Resolution Repealing Resolution No.</u> | Prepared by: | <u>Gregory Jacoby</u> |
| | <u>2012-VV Regarding Reserve Policies</u> | | <u>Town Attorney</u> |
| | <u>Following the Passage of Resolution No.</u> | Atty Routing No: | <u>017-15</u> |
| | <u>2014-Q Regarding Financial Policies</u> | Atty Review Date: | <u>May 6, 2015</u> |

Summary: On June 25, 2012, the Town Council passed Resolution No. 2012-VV approving the Town of Eatonville Reserve Policy, which set forth the goals and policies of the Town with respect to financial reserves. On July 28, 2014, the Town Council passed Resolution No. 2014-Q approving the Town of Eatonville Financial Policies. The Financial Policies includes Section IX., entitled Reserve Policies, which sets forth the goals and policies of the Town with respect to financial reserves.

The Mayor and the Finance Committee have reviewed the two policies and believe they are duplicative and that the Reserve Policy is therefore unnecessary.

Recommendation: Staff recommends the adoption of Resolution No. 2015-N, repealing Resolution No. 2012-VV in its entirety.

Motion for consideration: I move to adopt Resolution No. 2015-N, repealing Resolution No. 2012-VV in its entirety.

Fiscal Impact: None.

Attachments: 1) Proposed Resolution No. 2015-N; 2) Town of Eatonville Reserve Policy; and 3) Town of Eatonville Financial Policies.

RESOLUTION NO. 2015 - N

**A RESOLUTION OF THE TOWN OF EATONVILLE, WASHINGTON,
REPEALING RESOLUTION NO. 2012-VV REGARDING THE TOWN
OF EATONVILLE RESERVE POLICY**

WHEREAS, on June 25, 2012, the Eatonville Town Council passed Resolution No. 2012-VV, approving the Town of Eatonville Reserve Policy, which set forth the Town's goals and policies with respect to financial reserves; and

WHEREAS, on July 28, 2014, the Town Council passed Resolution No. 2014-Q, approving the Town of Eatonville Financial Policies, which includes as Section IX., Reserve Policies, setting forth the Town's goals and policies with respect to financial reserves; and

WHEREAS, the adoption of Resolution No. 2014-Q and the Town of Eatonville Financial Policies renders Resolution No. 2012-VV and the Town of Eatonville Reserve Policy duplicative and unnecessary, now, therefore;

**THE TOWN COUNCIL OF THE TOWN OF EATONVILLE, WASHINGTON,
HEREBY RESOLVES AS FOLLOWS:**

THAT: Resolution No. 2012-VV is repealed in its entirety.

PASSED by the Town Council of Town of Eatonville and attested by the Town Clerk in authentication of such passage this 11th day of May, 2015.

Mike Schaub, Mayor

ATTEST:

Kathy Linnemeyer, Town Clerk

Town of Eatonville

Reserve Policy

PURPOSE:

To establish a Reserve Policy for the Town which is capable of addressing the various types of the Town's operating and restricted use funds. The objectives of this Policy are to:

1. Provide a clear understanding of the goals and objectives of reserve establishment;
2. Offer guidance and limitations regarding the establishment and use of the Town's reserves;
3. Establish a process for periodic reporting and review of Town reserves.

ORGANIZATION AFFECTED:

All funds of the Town.

FUND'S RESERVE POLICY:

Funds used to account for all revenues of the Town, not specifically levied or collected for other Town funds, and for expenditures related to providing general services by the Town, will establish a Contingency Reserve Fund with a minimum balance of ten percent (10%) of fund revenues. At no time shall the balance in the Contingency Reserve Funds fall below the achieved amount of ten percent (10%), unless specifically waived and approved by the Town Council of Eatonville, because of an unseen emergency.

The Contingency Reserve Funds for all funds shall initially be set at a minimum of two percent (2%) of annual fund revenues. The Town shall reach the targeted minimum amount of ten percent (10%) no later than fiscal year 2017 according to the following schedule:

- 1% by December 31, 2012
- 2% by December 31, 2013
- 4% by December 31, 2014
- 6% by December 31, 2015
- 8% by December 31, 2016
- 10% by December 31, 2017

If actual expenditures, in all Funds of the Town, are less than budgeted expenditures, and the fund does not end the year at a deficit, at least twenty-five percent (25%) of the difference between budgeted and actual expenditures will revert to the Contingency Reserve Funds, and may be re-appropriated in a subsequent year at the discretion of the Town Council of Eatonville.

Use of Contingency Reserve Funds—To the extent that there is an imbalance in the funds between revenues and budgeted expenditures, the Town Council and Administration will strive to address the imbalance by increasing revenues, reducing expenditures or a combination of both.

Use of the Contingency Reserve Funds is a one time, non-recurring funding source. If an imbalance occurs in any one of the funds, that cannot be addressed with additional revenues, reduction in expenditures or a combination of both, a multi year plan shall be developed to address the imbalance concurrently with the planned reserve draw-down of the Contingency Reserve Fund. A planned draw-down of the Contingency Reserve Fund should not exceed twenty-five percent (25%) of the balance of the Contingency Reserve Fund Balance, and should not reduce the level of the reserve below two percent (2%) of all fund revenues.

Annual Status Reporting and Review—Annually, the Mayor and Town Clerk will prepare and present an updated Reserve Status report by July 1 of the following year.

The Mayor, based on advice of the Finance Committee and/or Town Clerk, will ask the Town Council to reaffirm or revise this policy, including percentages, established herein.

Prepared by: Jim Valentine for review of Finance Committee, Mayor and Administration

SECTION VIII OF THE FINANCIAL POLICIES

VIII. Reserve Policies

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the Town's credit as well as its financial position from emergencies.

1. At each fiscal year end the remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the Town.
2. The Town will include all fund balances in the annual budget.

Strategic Reserve

3. The Town's goal shall be to establish and maintain a General Operating Strategic Reserve of at least 10 percent of the General Fund and General-Fund supported operating budgets.
4. The reserve is defined as an emergency or cash flow reserve to fund one-time, emergency, or unanticipated expenditure requirements or offset unanticipated revenues fluctuations occurring in the fiscal year or one-time revenue losses.
5. Annual contributions will be budgeted from the General Fund resources as available to establish and maintain the target reserve level.
6. All expenditures drawn from the reserve account shall require prior Council approval unless previously authorized by the Town Council for expenditure in the annual budget.