

Village of Ardsley

Minimum Unassigned Fund Balance Policy and Guidelines

I. PURPOSE

It is the purpose of this policy to establish the “Minimum Unassigned Fund Balance” and the guidelines for maintenance of a minimum “unassigned” portion of the total Fund Balance in order to improve and maintain the financial stability of the Village of Ardsley (the “Village”). It is essential that the Village maintain an adequate Fund Balance level in order to mitigate financial risk that can occur from unforeseen circumstances such as revenue fluctuations and unanticipated or emergency expenditures. The Fund Balance also provides cash flow liquidity for the Village’s general operations. The Policy and guidelines establish the minimum level of reserves the Village will strive to maintain in the Unassigned Fund Balance, the methodology for achieving and maintaining this level, and the conditions under which the Fund Balance can be used.

II. FUND BALANCE IMPLICATIONS

Credit rating agencies such as Moody’s and Standard and Poor’s make determinations regarding municipal financial conditions using a complex set of financial evaluations. While the amount of fund balance is important, it is not the only consideration in the Village’s rating. Other important factors are the reliability of the Village’s revenue sources, economic conditions, community wealth factors, cash position, debt ratios, management performance, budgeting practices and financial planning practices by municipal officials. The existence of “well-defined and embedded” financial policies is emphasized as a major factor in achieving a higher rating. This Policy is intended to enhance the Village’s rating with respect to this factor by defining appropriate levels of and utilization of the Unassigned Fund Balance.

III. MINIMUM UNASSIGNED FUND BALANCE

The Village hereby establishes 18% of annual General Fund expenditures as its target Minimum Unassigned Fund Balance.

IV. GUIDELINES FOR ACHIEVING THE MINIMUM UNASSIGNED FUND BALANCE

In order to achieve and maintain the Minimum Unassigned Fund Balance, the Village adopts the following guidelines:

- (A) The Unassigned Fund Balance will not be used to pay for the ongoing and routine annual operating expenditures of the Village.
- (B) No more than 25% of the total “reserve for debt” shall be utilized in any one fiscal year in order to prevent significant structural deficits in subsequent years’ budgets.

- (C) In the event that the Minimum Unassigned Fund Balance is anticipated to fall below the level established under this policy, the Village will take steps to adjust budget resources to restore it to the minimum level within the next three subsequent fiscal years or sooner.

V. GUIDELINES FOR THE PRESERVATION OF THE MINIMUM UNASSIGNED FUND BALANCE

Following are limitations on use of the Unassigned Fund Balance:

- (A) In order to protect the Minimum Unassigned Fund Balance, the Village Manager is directed to assign, in the operating budget, a contingency appropriation line item, as appropriate, in order to:
- (1) Provide for emergency related expenditures;
 - (2) Provide for expected expenditures for which the exact amount is unknown at the time of budget preparation;
 - (3) Provide for non-recurring, unforeseen expenditures;
 - (4) Provide orderly budgetary adjustments when revenues do not meet projections or the Village experiences unexpected increases in service delivery costs;
 - (5) Provide the local match for grants that may become available during the fiscal year;
 - (6) Provide for settlement of pending liabilities and for unexpected payment of accrued vacation and sickness liabilities;
 - (7) Provide for any other items deemed necessary to preserve or enhance the Village's fiscal position.
- (B) The Village will not use the Minimum Unassigned Fund Balance to reduce the amount of the real property tax levy.
- (C) Fund balance use above the Minimum Unassigned Fund Balance shall be limited to the following purposes: (1) budgeted appropriation against existing debt, or (2) purchase of items on the Capital Plan that would otherwise require funding through increased debt service.
- (D) If the Minimum Unassigned Fund Balance must be used, use shall be limited to the following purposes:
- (1) Maintenance of adequate cash flow.
 - (2) Provision of funds for unforeseen calls on the Village's resources by County, State or Federal government.
 - (3) Operational expenditures related to extraordinary circumstances only, or to temporarily bridge a revenue gap to be resolved by either implementing a new, sustainable revenue source or to give the Village time to plan an orderly reduction in expenditure levels.
 - (4) Funding of emergency operations and repairs not otherwise budgeted to protect public health and safety.

VI. ANNUAL REVIEW AND REPORTING

To account for variable economic conditions of the Village and to effectively manage its fiduciary responsibilities, the Village shall commit to an annual review of Fund Balance levels and the Fund Balance Policy during annual budget discussions.