RESOLUTION NO. (R)15-50

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF ORO VALLEY, ARIZONA, TO AMEND THE TOWN OF ORO VALLEY FINANCIAL AND BUDGETARY POLICIES SECTION C.3

WHEREAS, on May 7, 2008, the Town Council approved Resolution No. (R) 08-29, adopting the Town of Oro Valley Financial and Budgetary Policies for the Administration of the financial operations of the Town of Oro Valley; and

WHEREAS, the Water Utility desires to amend the Mayor and Town Council Water Polices Finance Section which requires an amendment to Section C.3 of the Town of Oro Valley Financial and Budgetary Policies; and

WHEREAS, the proposed amendment will be to clarify the Fund Balance Reserve policy in light of the changes made to the Mayor and Town Council Water Policies Finance Sections; and

WHEREAS, the Council has determined that amending the Town of Oro Valley Financial and Budgetary Policies Section C.3, attached hereto as Exhibit "A" and incorporated herein by this reference, is just and appropriate and in the best interest of the Town.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Town of Oro Valley, Arizona that:

SECTION 1. The Town of Oro Valley Financial and Budgetary Policies Section C.3, attached as Exhibit "A", with additions in all CAPS and deletions in ~~strikethrough text~~, is hereby approved.

SECTION 2. The Mayor and any other administrative officials of the Town of Oro Valley are hereby authorized to take such steps as are necessary to implement the Town of Oro Valley Financial and Budgetary Policies as amended.

SECTION 3. All Oro Valley Ordinances, Resolutions, or Motions and parts of Ordinances, Resolutions or Motions of the Council in conflict with the provisions of this Resolution are hereby repealed.

PASSED AND ADOPTED by the Mayor and Council of the Town of Oro Valley, Arizona, this 17th day of June, 2015.

TOWN OF ORO VALLEY

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Dr. Satish I. Hiremath, Mayor

ATTEST:

_____
Julie K. Bower, Town Clerk

Date: _____

APPROVED AS TO FORM:

_____
Tobin Sidles, Legal Services Director

Date: _____

DRAFT

EXHIBIT "A"

C.3 Fund Balance Reserve Policies

Fund balance reserves will be established to offset difficult economic times, stabilize fluctuations in cash flow requirements, provide for emergency situations threatening the public health or safety and provide for unanticipated increases in service delivery costs, unanticipated declines in revenues, unforeseen opportunities and contingencies. Use of reserves should be utilized only after all budget sources have been examined for available funds, and subject to Town Council approval.

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balances will be classified in the following components:

A. Nonspendable Fund Balance: That portion of a fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, supplies inventory or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment. This category was traditionally reported as a "reserved" fund balance under the old standard.

B. Restricted Fund Balance: That portion of a fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors, such as debt covenants, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. This category was traditionally reported as a "reserved" fund balance under the old standard.

C. Committed Fund Balance: That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, and remain binding unless removed in the same manner. This category was traditionally reported as a "designated" fund balance under the old standard.

D. Assigned Fund Balance: That portion of a fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established at either the highest level of decision making, or by an official designated for that purpose. This category was traditionally reported as a "designated" fund balance under the old standard.

E. Unassigned Fund Balance: That portion of a fund balance that includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category of fund balance. This category was traditionally reported as an "undesignated" fund balance under the old standard.

The Town shall maintain, at a minimum, a fund balance contingency reserve in the General Fund that represents 25% of the General Fund's annual expenditures with no use of the General Fund contingency to support ongoing operational expenditures. This minimum reserve amount will be incorporated into the General Fund budget adopted by formal action taken by the Town Council. Accordingly, these reserves will be classified as committed fund balances.

Fund balance reserves may only be appropriated by authorization of the Town Council. A plan will be developed to adequately replenish reserves when appropriations are projected to reduce reserves below the required minimum levels.

When multiple categories of fund balance reserves are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Town Council and unassigned fund balance), the Town will start with the most restricted category – spending those funds first – before moving down to the next category with available funds.

~~Contingency reserves will be maintained at 5% of the operating budget expenditures for the Water Enterprise Fund.~~

THE WATER ENTERPRISE FUND SHALL MAINTAIN A CASH RESERVE IN THE OPERATING FUND OF NOT LESS THAN 20% OF THE COMBINED TOTAL OF THE ANNUAL BUDGETED AMOUNTS FOR PERSONNEL, OPERATIONS AND MAINTENANCE, AND DEBT SERVICE. THIS CASH RESERVE AMOUNT SPECIFICALLY EXCLUDES BUDGETED AMOUNTS FOR CAPITAL PROJECTS, DEPRECIATION, AMORTIZATION AND CONTINGENCY. NO CASH RESERVE IS REQUIRED FOR THE WATER UTILITY IMPACT FEE FUNDS.

All Town budgetary fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the Town's long-term financial forecast.