

City of Franklin
Finance Department Policy/Procedure

Subject: General Fund Fund Balance Policy

Issue Date: November 2001

Source: Common Council resolutions 2001-5299 & 1999-4928

Affected

Departments: All

Purpose:

To maintain funds to preserve the credit worthiness of the City to enable borrowing money at favorable interest rates, to meet unbudgeted expenditure needs or offset unrealized revenues during an annual budget cycle, to provide sufficient working capital to meet the City's cash flow needs during the following cycle, to stabilize fluctuations from year to year in property taxes paid by City taxpayers and to enable the City the flexibility to meet changing conditions.

Policy:

1. The overall goal for designated and undesignated Fund Balance for the City of Franklin shall be 25% of current year expenditures.
2. The amount of Fund Balance will be taken into consideration when establishing the following years budget:
 - When the Fund balance is below 20% provision will be made through the budget process to increase the year end Fund balance.
 - When the Fund balance is in the range of 20% to 25% no provision will be necessary through the budget process to affect the year end Fund balance.
 - When the Fund balance is above 25% provision will be made through the budget process to decrease the year end Fund balance.
3. Fund Balance will be used to support expenditures that are of a one time nature and do not require a repeated use to maintain the expenditure in future years.
4. That annually at year end Fund Balance equal to 15% of the following year General Fund annual expenditure budget be designated for working capital to enable the City to meet the cash flow requirements of the coming year.

Other Funds:

Other funds are encouraged to maintain similar types of fund balances so as to not create any surprise obligations to the General Fund.