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Contingency Policy
May 2015

- 1. The City will maintain sufficient contingency/reserves in each operating fund for the ability to:**
 - a. Mitigate short-term volatility in revenues**
 - b. Mitigate short-term economic downturns (2 years or less)**
 - c. Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.**
 - d. Sustain city services in the event of an emergency**
 - e. Meet operating cash flow requirements before the collection of property taxes, grant proceeds and other operating revenues.**
 - f. Absorb unexpected claim or litigation settlements**
 - g. Purchase vehicle and equipment with the need to finance such purchases.**
 - h. Meet major facility and equipment repair and replacement needs.**
 - i. Meet future capital project needs so as to minimize future debt obligations and burden on future citizens.**
 - j. Meet requirements for debt reserves**

- 2. The targeted reserve or contingency amount will be 25% of annual operating budgets or 12.5% of a biennial operating budget (excluding capital and CIPS expenditures):**
 - a. The City will maintain General Fund undesignated reserves of at 12.5% of the biennial operating budget of the General Fund.**
 - b. All other operating funds – The City will maintain undesignated reserves of at least 12.5% of the operating budget (per the biennium) unless it can be demonstrated that less than 12.5% is adequate to meet the needs of the operation for the biennium.**
 - c. Use of fund balance to support budgeted operations in the General or other funds shall be explained in the annual budget document; such explanation shall describe the nature of the budgeted reduction in the fund balance and its expected future impact. Fund balances in excess of future needs shall be evaluated for alternative uses.**

- 3. The City will use these reserves or contingency amounts on a one-time, temporary or emergency basis for purposes described above. In the event that these contingency/reserve funds decrease to levels below the levels established by this policy, the City will develop a plan to restore the reserves to the required levels.**