

CITY OF JACKSON

T E N N E S S E E

General Fund Fund Balance Policy

**City of Jackson
General Fund
Fund Balance Policy**

Objectives for Establishing the Fund Balance Policy

The Fund Balance Policy is intended to provide guidelines during the preparation of and deliberations on the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls and to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The objective of establishing and maintaining a Fund Balance Policy is for the City to be in a strong fiscal position that will be better able to weather negative economic trends. Factors for maintaining sufficient Fund Balance include the ability to:

- Maintain covenants of third party agreements;
- Provide funds for enacted Ordinances and Resolutions of the Jackson City Council;
- Mitigate State budget actions that may reduce City revenue;
- Absorb liability settlements;
- Mitigate economic downturns that the City may face in the future;
- Front-fund or completely fund, if necessary, disaster costs or costs associated with emergencies.
- Fund the City's expenditures and debt service payments during the first few months of the year before traditional revenues are realized;
- Fund non-recurring expenses identified as necessary by the Jackson City Council
- Fund one-time capital expenses identified as necessary by the Jackson City Council

The Fund Balance will consist of three funds: the Reserve Fund, the Designated Fund, and the Undesignated/Unreserved Fund:

- **The Reserve Fund** consists of funds that are mandated by a third party through laws, regulations, and other legal requirements to be used for a specific purpose. There is no minimum percentage requirement for this account.
- **The Designated Fund** consists of funds set aside by the Jackson City Council by ordinances or resolutions for specific purposes. There is no minimum percentage requirement for this account.
- **The Undesignated/Unreserved Fund** as set forth in this policy will have a stated goal of 20% at minimum of General Fund budgeted expenditures, excluding State and Federal Grants.

General Fund Replenishment Priorities (Priority order):

1. Appropriate funds deposited into the Reserve Fund Account to meet all third party mandated requirements.
2. Funds set aside by the Jackson City Council by ordinances or resolutions for specific purposes.
3. Twenty [20%] percent at minimum of the General Fund budgeted expenditures, excluding State and Federal Grants, should be maintained in the Undesignated/Unreserved Fund.

Fund Balance Policy Adoption

The City's Fund Balance Policy shall be adopted by resolution by the Jackson City Council. The policy shall be reviewed by the approving authority and the same authority must approve any modifications. It is recommended that the policy be reviewed every four years, preferably during a non-election year and 6 months following the budget process. This policy will be managed and monitored by the Finance Department and report on the current and projected level of the reserve funds in conjunction with the budget process. If necessary, the Finance Director will present recommendations for any amendments, deletions, additions, improvements or clarification.