



# **THE TOWN OF OSSINING FUND BALANCE POLICY**

The Town of Ossining (the “Town”) has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely and to plan the adequate funding of services desired by the public, including the provision and maintenance of public facilities.

An important indicator of the financial stability of the Town is its un-reserved fund balance that represents the un-assigned and unencumbered balance of the Town’s revenues held in the Town’s numerous funds.

In the recent past, Town budgets did not target a minimum un-reserved fund balance. As a result of this on-going practice the Town does not have an adequate financial cushion.

The Town hereby establishes a minimum un-reserved Fund Balance Policy (the “Fund Balance Policy”) that together with the Town Financial Policy, Revenue Policy and the Expense Policy will serve to guide the Town’s budgeting decisions by providing:

- a target Minimum un-reserved Fund Balance (the “Minimum Fund Balance”) for the Town’s three principal funds:
  - the Town General Fund,
  - the Town Unincorporated Fund, and
  - the Highway Fund (together “the Funds”),
- a specific time frame to attain the Minimum Fund Balance,
- the permitted uses that by their nature are not expected to occur routinely of the Minimum Fund Balance.

The Town shall:

- a) strive to attain and maintain in each of the Funds at fiscal year-end the Minimum Fund Balance of 10% (the “Minimum Fund Balance Percentage”) of each of the Funds total adopted budgeted expenditures. The Minimum Fund Balance Percentage represents the Town’s best estimate at this time of the financial reserves required to meet unexpected variances. The Minimum Fund Balance exclusive of the operating budget contingency established under e) is reserved for the following uses:
  - i. cash flow purposes;
  - ii. unknown, unbudgeted, and unpredictable events, such as a catastrophic road failure;

- iii. to provide a reserve to fund calls on the Town's resources by the school district, Westchester County and un-funded mandates imposed on the Town by higher levels of government; and
  - iv. to provide a reserve to meet negative budget variances subject to the procedures set forth in d) below;
- b) not use the Fund Balance for predictable or recurring expenses until the Minimum Fund Balance has been attained;
- c) refrain from the use of the Minimum Fund Balance to reduce the amount of the real property taxes and/or will use the Minimum Fund Balance for one-time capital or emergency expenditures only if:
- i. there are surplus balances remaining after all reserve and fund allocations are made, or
  - ii. the Town has made a rational analysis with justifying evidence that it has an adequate level of short and long term resources;
- d) use the Minimum Fund Balance to assist the Town in addressing negative actual budget variances subject to:
- i. 1st reducing expenditures or increasing revenues in an amount up to 5% of the Town's annual adopted operating budget expenditures and to request a 5% reduction from all outside contracted vendors and consultants.
  - ii. should the Town require additional resources than the 5% provided by d) i) to cure the actual budget deficit the Town can use unreserved fund balance on a dollar match basis for each additional dollar of expenditure reduction or revenue enhancement up to an amount that totals 5% of the Town's annual adopted budget expenditures;
  - iii. should the Town require additional resources than the aggregate 10% provided by d) i) and d) ii) the Town can use the remaining Minimum Fund Balance in its entirety but in an amount not to exceed the amount required to cure the operating deficit;
- e) establish, in the operating budget, a contingency appropriation reserve line item, as appropriate, of the three principal funds, to:
- i. provide for non-recurring unforeseen expenditures of an emergency nature;
  - ii. provide orderly budgetary adjustments when revenues do not meet projections;

- iii. provide the local match for public or private grants that may become available during the fiscal year;
  - iv. meet unexpected increases in service delivery costs; and
  - v. provide for settlement of pending liabilities and for un-expected payment of accrued vacation and sickness liabilities;
- f) develop a structurally balanced five year forecast using projected recurring revenues and recurring expenses from which to project the establishment of a 10% un-reserved fund balance for fiscal years beginning after December 31, 2018;
- g) each year starting with the 2011 budget the Town Board shall strive to allocate a minimum of 1% of annual budgeted expenses with the goal of achieving a 10% fund balance by the year 2018 in all three principal funds.