



Fund Balance / Reserve Policy Resolution 2023-28

Purpose

The Operating budget for Spring Garden Township serves as the financial plan for the Township and as the policy document for implementing the goals and objectives of the Township. It provides staff with resources to accomplish the Township Commissioner determined service levels.

Spring Garden Township desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate reserve level to protect the Township's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

Authority

The Spring Garden Township Commissioners are responsible for the approval of financial policies which establish and direct the operations of Spring Garden Township. The Township Manager is responsible for carrying out the policy directives of the Township Commissioners and managing the day-to-day operations of the executive departments. This policy shall be administered on behalf of the Township Manager by the Township Treasurer, and as directed, by the Finance Administrator.

Monitoring Performance

The Township will measure its compliance with this policy on an annual basis during the Township's budgeting process. During the course of the fiscal year the township Finance officials (Treasurer, Chief Financial Officer, Finance Administrator, etc.) shall closely monitor the Township's revenues and expenditures to ensure Reserves are not used beyond any planned usage. If the target level of Reserves is not met at fiscal year-end, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the township Finance officials based on the requirements outlined in this policy.

Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current Reserves to ensure that they are appropriate given the economic and financial risk factors the Township is subject to.

Funding the Reserves

Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

Excess of Reserves

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other postemployment benefits as directed and approved by the Commissioners. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of outstanding debt;
3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
5. Start-up expenditures for new programs, provided that such action is approved by the Township Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the township Finance officials;
6. Funding of capital improvements;
7. Excess funds allocated to fund any deficit in the next year.

Designated Reserves

The following fund reserves are utilized by Spring Garden Township:

- General Fund Reserve
- Sewer Fund Reserve

General Fund Reserve

Components of the Reserve:

- Contingency Reserve – The Contingency Reserve is established for the purpose of ensuring the Township can continue to provide existing services during times of economic downturn, rather than making immediate and drastic budget cuts without the time for proper evaluation. This fund will also bridge revenue shortfalls during the traditional operating cycle. The Township will strive to maintain a Fund Balance in the General Fund equivalent to six months of budgeted regular ongoing operating expenditures. For the purposes of this policy, regular ongoing operating expenditures will exclude significant non-recurring items. This fund will be replenished annually.
- Emergency Contingency: this contingency will be added to the Contingency Reserve fund balance in the amount of \$100,000 for use by the Township Manager or their designee. This reserve, replenished annually, is to be used for emergency preparedness and response situations, unexpected one-time opportunities, and appropriation transfers to allow spending in other funds.
- Unassigned Reserve – Any funds in excess of the above reserve balances will remain as unassigned fund balance and be available to meet any unforeseen municipal expenses. Expenditures from this fund will have prior approval from the Township Commissioners.

- Capital Funding – In addition to the aforementioned reserve for operating expenses, the Township will aim to maintain a fund balance in the Capital Improvement Fund to, at a minimum, fund the projects and capital purchases identified in the Township's Capital Improvement Plan and, at a maximum, to fund the first five years identified in the plan. This fund will be replenished annually.

Sewer Fund Reserve

Components of the Reserve:

- Operating Expenses – The Township shall strive to maintain adequate fund balance reserve for the sanitary sewer system in order to provide sufficient cash flows to meet operating expenses while providing the financial ability to address system emergencies. The Township will endeavor to maintain a Fund Balance in the Sewer Fund equivalent to six months budgeted regular ongoing operating expenditures and the fund will be replenished annually. For the purposes of this policy, regular ongoing operating expenditures will exclude significant non-recurring items expense.
- Contingency Reserve – Any funds in excess of the above reserve balance will remain as the unassigned fund balance and be available to meet any unforeseen sanitary sewer system expenses. Expenditures from this fund will have prior approval from the Township Commissioners.
- Capital Funding – In addition to the aforementioned reserve for operating expenses, the Township will aim to maintain a Fund Balance in the Sewer Capital Improvement Fund to, at a minimum, fund the Sewer projects and capital purchases identified in the Township's Capital Improvement Plan and, at a maximum, to fund the first five years identified in the plan. This fund will be replenished annually.

Marcy Kum-Judley
Secretary

David E. Rooney
President Commissioner
2023-NOV-08

