

Chapter 11 Financial Reserves

11.01 Purpose: To establish and build upon Reserves across all funds for the purpose of fiscal stability and future financial planning.

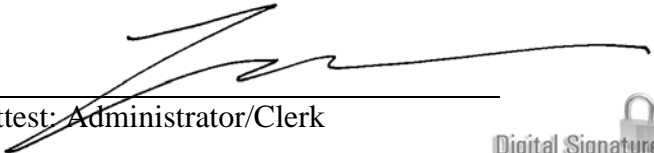
11.02 Methods of establishing reserves:

1. Maintain the City Budget: All Departments must strive to stay within budget limits established and approved by City Council.
2. Surplus Funds: Departments are encouraged to maximize the use of budgeted funds while also utilizing efficiencies that will result in surplus. These surplus funds then become part of the Reserves for that respective fund. *Updated 3/24/2011*
 - a. General Fund Reserve Goal: 25% of annual budgeted revenue
 - b. Local Option Sales Tax (LOST): 10% of annual budgeted revenue
 - c. Hotel/Motel Tax: 5% of annual budgeted revenue
 - d. Road Use Tax (RUT): 25% of annual budgeted revenue
 - e. Enterprise Fund – Water: 25% of annual budgeted revenue
 - f. Enterprise Fund – Sewer: 25% of annual budgeted revenue
3. TIF impacts to the General Fund: Tax Increment Financing (TIF) is a critical tool used to strengthen the growth and development of Boone. TIF provides a financial mechanism for the City of Boone to leverage property tax dollars for the purpose of improving infrastructure while also expanding industrial and commercial development. Use of TIF impacts the General Fund revenue. As an example, for every \$100 of TIF, the General Fund has a \$30 revenue reduction.
 - a. When TIF is used for water or sewer infrastructure, the Water/Sewer Enterprise Fund shall reimburse the General Fund for an amount equivalent to General Fund revenue impacts.
 - b. Reimbursement time-frame – reimbursements to the General Fund shall occur each fiscal year that TIF usage impacts the General Fund. After TIF bonds are retired the associated reimbursement shall also discontinue. If reimbursement exceeds General Fund needs, remaining will be applied towards establishing reserves to meet the above mentioned threshold of 25%.

11.03 Financial Stability in Case of Emergencies: The City of Boone will hold a primary account for typical financial transactions. As a security of financial stability the City will also hold a secondary account at a separate financial institution. The secondary account will hold adequate funds for immediate operations in the event of an emergency. Immediate operations can be defined as one to two weeks of typical operations.

City Council Action:

Adopted this 13 day of January, 2010


Attest: Administrator/Clerk

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