

Town of Redding, CT

Undesignated General Fund Balance Policy

Revised August 29, 2016

Exceptions or changes to this policy require approval of the Board of Finance

OBJECTIVE: To provide Funds to meet Cash Flow needs for the following as determined by vote of the Board of Finance:

- Unanticipated revenue shortfalls
- Unanticipated expenditures

GUIDELINE: In order to achieve the objective of this policy, the following guideline shall be adhered to:

Achieve gradually, and then maintain, minimum undesignated general fund balance of approximately two months' worth (16.7%) of projected operating expenditures. The Finance Director should give a report on the status of the undesignated general fund balance at the start of each budget cycle, to be reviewed annually. Further, the minimum undesignated general fund balance should not fall below 6% of the previous year's audited operating expenditures.

PROCEDURE: As part of the annual budget process, the Finance Director will estimate the surplus or deficit for the current year and prepare a projection of the year-end undesignated general fund balance.

Use of any anticipated balance in excess of the minimum undesignated general fund balance will be determined by the Board of Finance. Some possible uses are:

- a. Funding reserves
- b. Avoidance of future debt
- c. Reduction of debt
- d. Direct mil rate relief

In the event that funds are used and the balance falls below the guideline stated above, the Board of Finance will develop a plan to promptly address the shortfall.