



Town of Southern Shores

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Resolution 2012-03-01

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF SOUTHERN SHORES, NORTH CAROLINA, ESTABLISHING POLICY RELATED TO THE UNRESERVED FUND BALANCE

WHEREAS, in order to maintain fiscal responsibility under the Local Government Budget and Fiscal Control Act, the North Carolina Local Government Commission recommends that municipalities maintain a minimum unreserved fund balance of eight percent (8%) of budgeted operating expenditures; and

WHEREAS, an unreserved fund balance is defined as revenue that has not been designated or obligated for any specific purpose and, therefore, can be used for any purpose deemed appropriate by the Town Council; and

WHEREAS, an unreserved fund balance is necessary to ensure that there are sufficient revenues available to meet unanticipated expenses or interruptions or losses of revenues; and

WHEREAS, there are many factors that are used to establish the ideal level of unreserved fund balance to be maintained, including the predictability of revenues and the volatility of expenditures; and

WHEREAS, as a coastal community that is susceptible to extreme weather conditions that can negatively impact revenues and cause significant increases in expenditures, an unreserved fund balance much higher than the minimum eight percent (8%) of budgeted operating expenditures recommended by the North Carolina Local Government Commission is advisable; and

WHEREAS, an unreserved fund balance may be aimed towards a general purpose such as emergency management but still may be used for any purpose deemed appropriate by the Town Council; and

WHEREAS, such unreserved fund balance for emergency management purpose should allow the Town to respond to emergencies, plus continue basic operations for six months until federal or state assistance may become available; and

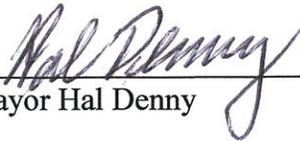
WHEREAS, the Town's original budgeted operating expenses for fiscal year 2011-2012 was \$4,874,150.00; and

NOW, THEREFORE, BE IT RESOLVED that the Town Council shall endeavor to establish, maintain, and grow the Town's unreserved fund balance but in no circumstance shall it be allowed to decrease to an amount less than 1.75 million dollars unless it is to be used for an unforeseen emergency only.

BE IT FURTHER RESOLVED that the Town Council shall have broad authority to transfer revenue from the unreserved fund balance through a budget amendment approved by the majority of the members of Town Council; however, in general, revenue shall only be transferred from the unreserved fund balance to avoid cash flow interruptions, provide revenue for emergency expenditures and to temporarily replace lost revenues, to provide revenue for unanticipated capital expenditures, and to mitigate against the volatility of the Town's tax base; and

BE IT FURTHER RESOLVED that the Town Council annually review this policy.

Adopted this 6th day of March 2012.



Mayor Hal Denny

ATTEST:



Carrie Gordin, Town Clerk

