

**CITY OF GOLD BAR, WASHINGTON
RESOLUTION NO. 21-07**

**A RESOLUTION OF THE CITY OF GOLD BAR, WASHINGTON AMENDING THE CITY'S
FINANCIAL PLAN**

WHEREAS, individual funds are required to have a beginning balance; and,

WHEREAS, those beginning balances are meant to keep services and normal operating procedures functioning during times of catastrophic failure, natural disasters, or other such events; and

WHEREAS, cities are encouraged to maintain adequate beginning balances in order to reduce the potential need for borrowing during economic downturn; and

WHEREAS, cities can set policy regarding the level of beginning balances and how those funds can be utilized; and

WHEREAS, policies created by other cities were reviewed and recommendations from Municipal Research Services Center and the Washington State Government Finance Officers Association were considered; and

WHEREAS, portions of the Financial Plan relating to beginning balances contains outdated wording;

NOW THEREFORE BE IT RESOLVED by the governing body of the City of Gold Bar that the City's Financial Plan be amended as follows.

Section I	Benchmarks
Section II	Beginning Balances
Section III	Severability
Section IV	Effective Date

Section I, Benchmarks

Beginning Balances

Beginning balances create funding that allows the City to continue providing services and maintaining day-to-day operating procedures in the event of economic downturn, natural disasters, or catastrophic failure. Healthy beginning balances also allow the City to potentially reduce or avoid the need to incur debt and interest payments. The City will maintain a beginning balance of at least thirty percent (30%) of the previous year's expenditures. For more information on this please refer to the 'Beginning Balances' section.

Section II, Beginning Balances

Beginning Balances

Introduction

According to the Washington State Auditor's BARS Cash Manual, section 3.1, beginning and ending cash and investments are classified as nonspendable, restricted, committed, assigned, or unassigned. These classifications indicate the extent to which the government is bound to honor constraints on the

specific purposes for which amounts in the funds can be spent. The City of Gold Bar has both unassigned and restricted beginning and ending balances.

The General Fund (001) is considered unrestricted. The remaining funds are considered restricted, meaning revenue can only be spent on expenditures related to the specific fund. For example, water revenue can only be spent on expenditures relating to the Water Fund (401).

Beginning balances, or reserves, also act similar to a savings account. Excess revenue at the end of each year accumulates within those beginning balances.

Beginning balances must be sufficient enough to meet the following needs:

- a. provides adequate liquidity
- b. provides for unanticipated economic downturns
- c. maintains credit ratings
- d. provides for services and costs during a declared emergency
- e. provides for long-term capital needs.

Additionally, beginning balances may provide the means to allow cities to avoid incurring debt and associated interest.

It is imperative that a city build and maintain these healthy beginning revenues. However, that need must be balanced with thoughtful stewardship of public funds. As such, this policy is set in place to allow the City to use portions of beginning funds for the benefit of residents and to be able to provide levels of service to those residents.

This adopted minimum cash policy only represents a target amount that the City believes should be maintained to provide a reasonable level of assurance and is not a specific constraint on the purpose or use of any resource. For annual financial reporting purposes, this policy will be disclosed, but will not affect classification of ending balances.

Funds Policy

Beginning balances should not be utilized to maintain normal operating expenditures except in the event of extraordinary need or an emergency. Each fund must be able to support itself through maintaining rates, fees, taxes, etc., that cover day-to-day operating expenses. Because of this, revenue within beginning balances must not be seen as 'bail-out' money for normal expenditures that exceed budgetary authority as set by the City's annual budget process and adoption.

Funds shall maintain a minimum beginning balance equal to thirty percent (30%) of the previous year's annual actual expenditures. In times of economic downturn, the City Clerk/Treasurer may choose to increase that percentage without amendment to this Financial Policy but with review and agreement by the Mayor and Council.

During the annual budget process, the City Clerk/Treasurer shall calculate the total expenditures from the current calendar year and determine the amount of available revenue for the coming year. Beginning balances are already included in each year's revenue budget. This calculation, however, will allow the City Clerk/Treasurer to determine an amount that can be included in the coming year's budgeted expenditures for specific purchases or improvements. This calculation of expenditures that will be encumbered for a specific reason also allows that purchase or improvement to be legally allowable under approved budgetary spending authority.

Acceptable uses for this type of revenue shall be improvements or capital purchases outside of normal day-to-day operating expenditures. These purchases shall be made cautiously, with a clear review of the City's financial health, and with approval of the Council prior to any purchase. Full documentation must be retained for annual audit reviews.

Available revenue from a beginning balance shall not be utilized for normal operating expenditures or to cover budgetary shortfalls except in the case of economic downturn or extreme situations (example: COVID-19 or other unexpected revenue shortfall). Such use shall be recommended by the City Clerk/Treasurer and should include plans for resolving the fund's shortfall.

The City Clerk/Treasurer may recommend not expending beginning balance funds in any given year without amendment to this Financial Plan. If a decision is made to not expend the revenue, the Mayor and Council should be made aware of the reasons behind that decision. The Mayor and Council may, of course, choose to not follow the City Clerk/Treasurer's recommendations after review.

Section III, Severability

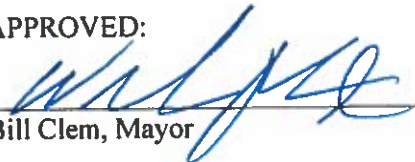
This resolution is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Section IV, Effective Date

This Resolution shall take effect from, and after, its passage and approval, as provided by law.

Resolved this 20th day of July, 2021.

APPROVED:


Bill Clem, Mayor

ATTEST/AUTHENTICATED:


Lisa Stowe, Clerk/Treasurer