

To: Town Board

From: Megan K. Wnek, Director of Finance

Date: July 20, 2020

Re: Adoption of Fund Balance Policy

Honorable Board, kindly move to adopt the attached Fund Balance Policy, updated as of July 20, 2020.

**Fund Balance Policy  
Town of West Seneca**

**Purpose**

The following denotes the Town of West Seneca's policy for classifying fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Town of West Seneca, New York (the "Town") has enacted this policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The Town's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The Town also seeks to maintain the highest possible credit ratings which are dependent, in part, on the Town's maintenance of a healthy fund balance.

**Policy Statement**

The fund balance of the Town's General Fund and Highway Fund accumulates to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The Town will maintain adequate fund balance in its General Fund and Highway Fund to provide flexibility and to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, to provide for one-time opportunities and to retain favorable credit ratings. The Town will endeavor to maintain an unrestricted fund balance in each, its General Fund and Highway Fund, of two months of regular General Fund and Highway Fund operating expenditures, respectively.

If the Town's unrestricted fund balance in its General Fund or Highway Fund fall below 14% of respective annual operating expenditures, the Supervisor, as Budget Officer of the Town, shall recommend decreasing the use of fund balance appropriated in the following year's budget, such that in his/her estimation over the course of no more than three years, the fund balance will be again within the level set by this policy. Further, the Town Board shall, with assistance from the Finance Department, prepare and approve a plan for restoration of the balance to the target level so that the target level is restored.

If the Town's unrestricted fund balance in its General Fund or Highway Fund fall above 18% of respective annual operating expenditures, the Supervisor, as Budget Officer of the Town, shall recommend increasing the use of fund balance appropriated in the following year's budget or the Town Board may use unrestricted fund balance during or outside of the budget process for onetime expenditures to meet unusual opportunities or to reduce the Town's debt or to establish a reserve fund in order to, in their estimation, meet this policy.

The Town board will periodically review the appropriateness of fund balance thresholds as described in this policy and update as deemed necessary.

This policy may be amended from time to time by the Town Board.