

**CITY OF WASILLA
ORDINANCE SERIAL NO. 00-60**

**AN ORDINANCE OF THE WASILLA CITY COUNCIL ADOPTING WMC 6.04.025
STABILIZATION OF FUNDS.**

BE IT ENACTED:

* **Section 1. Classification.** This ordinance is of a general and permanent nature and shall become part of the city code.

* **Section 2. Adoption of section.** WMC 6.04.025, Stabilization of Funds, is adopted to read as follows:

6.04.025 Stabilization of Funds.

(A) It is the policy of the city to maintain the fund balances and retained earnings of the various city operating funds at levels sufficient to maintain the city's creditworthiness, and to provide financial resources for unforeseeable emergencies. The purpose of this section is to carry out these policies.

(B) Definitions. The following terms shall have the following meanings in this section:

(1) "Maximum undesignated fund balance" means, with respect to any annual budget as amended from time to time, an amount that is equal to 60 percent of the sum of budgeted general fund operating expenditures, plus the budgeted amount of general obligation debt service.

(2) "Minimum undesignated fund balance" means, with respect to any annual budget as amended from time to time, an amount that is equal to 50 percent of

the sum of budgeted general fund operating expenditures, plus the budgeted amount of general obligation debt service.

(3) "Minimum retained earnings" means, for any specified enterprise fund and with respect to any annual budget as amended from time to time, 20 percent of the amount derived by deducting from the total amount of expenses budgeted for that fund, (i) budgeted expenditures from the fund for debt service and capital projects, and (ii) the budgeted allowance for depreciation for the fund.

(C) General fund.

(1) The annual budget for the general fund that is presented to the Council, and all amendments to the annual budget for the general fund that are presented to the Council, shall provide for an undesignated general fund balance not less than the minimum undesignated fund balance and not more than the maximum undersigned fund balance.

(2) It is the policy of the city not to approve an appropriation from the general fund that would cause the undesignated general fund balance to be less than the minimum undesignated fund balance, except where the appropriation is required for an emergency expenditure or a major capital purchase.

(3) It is the policy of the city to appropriate to the capital projects reserve fund any amount in the general fund balance at the end of a fiscal year (as confirmed by the city's annual audit), in excess of the maximum undesignated fund balance for the succeeding fiscal year, unless the annual budget for the succeeding fiscal year provides for the expenditure of that excess during the succeeding fiscal year.

(4) If at the end of the fiscal year the undesignated general fund balance (as confirmed by the City's annual audit) is less than the minimum undesignated fund balance, the Mayor shall submit to the Council a plan to cause the undesignated

general fund balance to be not less than the minimum undesignated fund balance before the end of the succeeding fiscal year.

(D) Enterprise funds.

(1) It is the policy of the city to maintain a positive retained earnings balance in each of the enterprise funds to provide sufficient reserves for emergencies and revenue shortfalls.

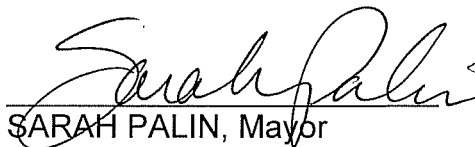
(2) The annual budgets for the sewer and water enterprise funds that are presented to the Council, and all amendments to the annual budgets for the sewer and water enterprise funds that are presented to the Council, shall provide for an unreserved retained earnings balance in each fund at least equal to the minimum retained earnings for that fund.

(E) It is the policy of the city not to maintain positive retained earnings balances in the internal service funds. The city shall transfer accumulated retained earnings from an internal service fund to other operating funds.


(F) It is the policy of the city to maintain a reserve in each of its debt service funds in an amount not less than the sum of all reserve fund balances required by bond ordinances applicable to that fund.

* **Section 3. Effective date.** This ordinance shall take effect upon adoption by the Wasilla City Council.

ADOPTED by the Wasilla City Council, Alaska, on December 11, 2000.


SARAH PALIN, Mayor

ATTEST:


KRISTIE L. VANGORDER, CMC
City Clerk

[SEAL]

SUBJECT: Adoption of section WMC 6.04.025, Stabilization of Funds

PREPARED BY: Finance

DATE: November 13, 2000

FOR AGENDA OF: November 27, 2000

SUMMARY:

This ordinance sets up a policy to ensure that city will maintain fund balances and retained earnings at levels sufficient to maintain the city's creditworthiness and to provide financial resources for unforeseeable emergencies. Having a stable fund balance will also allow the city to react to adverse changes in economic conditions and provide the city's Administration and Council with the flexibility to respond to unexpected opportunities that may help the City achieve its goals and objectives.

The Finance Department recommends a target for the City's undesignated fund balance in the General Fund to be between 50 and 60 percent of the current year's budgeted operating expenditures plus current year general obligation debt service. The reason for setting this target at that level is due to the fact that the City of Wasilla depends heavily on one source of revenue to fund general government operations. Sales Tax revenue is over eighty percent of the General Fund's total revenue.

Without a stable fund balance and retained earnings in the enterprise funds, the City of Wasilla's expenditure budgets and level of services would be directly tied to the city's economy. With a guaranteed stable undesignated fund balance and retained earnings, the City would be able to address short-term unanticipated economic downturns without drastically cutting citizens services.

Other benefits of a stable fund balance would include: 1. A higher degree of cash solvency, 2. an ability to respond to new service challenges without an undue amount of financial stress, and 3. an ability to earn more revenue on investments due to the fact that the city could invest in longer-term maturity investments.

FISCAL IMPACT: No Yes, amount requested: \$ Fund:

RECOMMENDED ACTION: Introduce ordinance and set for public hearing.


Reviewed by: SARAH PALIN, Mayor

Presented with: Ord 00-60
Date: 12/11/2000 Verified by: Dr.

Attachments: Ordinance 00-60