

**TOWN OF FARMINGTON, CT
RESERVE POLICY**

I. PURPOSE

The purpose of this policy is to 1) preserve the credit worthiness of the Town for borrowing monies at favorable interest rates; 2) provide working capital to meet cash flow needs during the year and 3) attempt to stabilize fluctuations from year to year in property taxes paid by town taxpayers.

II. POLICY STATEMENT

Fund Balance is an important indicator of a community's financial position. An adequate fund balance must be maintained to allow the Town to continue to meet its obligations in the event of an economic downturn and/or unexpected emergency. Therefore, the Town of Farmington shall maintain an unreserved/undesignated general fund balance as of June 30 of each year equal to a minimum of 10% of the ensuing fiscal year's operating revenue, with a targeted maximum of 15% of the ensuing fiscal year's operating revenue.

III. RESPONSIBILITY FOR POLICY

As part of the annual budget preparation process, the Director of Finance will estimate the surplus or deficit for the current year and prepare a projection of the year-end unreserved/undesignated general fund balance. Any anticipated balance in excess of the targeted maximum unreserved/undesignated fund balance may be budgeted to reduce the ensuing year's property tax levy or fund one-time capital projects.

Appropriation of any amount of the unreserved/undesignated general fund balance, which would result in fund balance falling below the target minimum of 10%, for the sole purpose of reducing the ensuing year's property tax levy, may only be made upon a 2/3 majority vote of the Town Council.

Subject to the provisions of Article X of the Town Charter (Town Meetings), the Town Council, by a 2/3 vote, can declare a fiscal emergency and withdraw any amount of general fund balance for resolving the emergency. The Town Council must restore any such appropriation of Fund Balance within a three-year period.

IV. OTHER FUNDS

In addition to maintaining adequate reserves to fund general fund obligations, the Town shall maintain reserve levels in other funds as follows:

The WPCA Fund will maintain reserves to meet three primary objectives. First, an Operating Reserve will be funded to ensure sufficient funding for operations. This reserve will be maintained at a level sufficient to fund 90 days of budgeted operating expenditures. Second, an adequate reserve will be maintained to ensure repairs to and replacement of infrastructure. Finally, a Working Capital reserve will be funded to provide sufficient cash for sewer capital improvements and to avoid large fluctuations in rate changes.

This policy shall be reviewed on a biennial basis during the month of January in each even numbered year.

Approved by the Town Council:	October 11, 2005
Amended and Approved by the Town Council:	January 8, 2008
Amended and Approved by the Town Council:	January 12, 2010
Amended and Approved by the Town Council:	January 10, 2012
Approved by the Town Council:	January 14, 2014
Approved by the Town Council:	January 12, 2016
Approved by the Town Council:	January 9, 2018