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## **FUND BALANCE EMERGENCY RESERVE POLICY**

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The City of Cherry Hills Village recognizes the importance of maintaining an appropriate level of Emergency Reserve to provide the required resources to meet operating needs and to allow for unforeseen needs of an emergency nature. After evaluating the City's operating characteristics, tax base, non-tax revenue sources, capital needs, local and economic outlooks, emergency and disaster risk and other contingent issues the City establishes the following policy regarding the Fund Balance Emergency Reserves for the City of Cherry Hills Village.

### **I. Authority**

The City Council of the City of Cherry Hills Village is authorized under its home rule charter and its general municipal powers of the Cherry Hills Village Municipal Code to adopt policies and procedures in furtherance of its municipal functions and authority.

### **II. Purpose**

A reserve provides protection from risk. Potential risks to the City include, but are not limited to, Revenue shortfalls during recessions and losses from unexpected and extreme events, like pandemics, natural disasters, or other City-declared emergencies. Reserves help make sure that the City can respond quickly and decisively to such events. Reserves also support vital public services during revenue declines. A Reserve policy describes how much the City will retain in reserve and describes acceptable uses of Reserves.

### **III. Scope**

This policy applies to all City Fund Balances and Reserves. This policy does not apply to general improvement districts. City Funds not expressly identified in this Policy will have no Fund Balance Reserve.

### **IV. Definitions**

*Budget* - means a complete estimated financial plan that identifies Revenues, types and levels of services to be provided, and the amount of funds that can be spent during the relevant fiscal year. The City's Budget encompasses one calendar year. In practice, the term "Budget" is used two ways: it designates the financial plan presented for adoption ("Proposed"), or the final plan approved by City Council ("Adopted").

*Capital Improvement Program (CIP)* - is a multi-year financial plan containing proposed construction of physical assets such as Infrastructure, trails, parks, and public buildings as well as other non-infrastructure Capital Assets such as information technology systems.

*Emergency Reserve (Reserve)* – is a specified level of Fund Balance 'reserved' by the City to provide protection against Revenue shortfalls and extreme events, including but not limited to, pandemics, natural disasters, and City-declared emergencies. The Reserve is inclusive of the TABOR Emergency Reserve as required by the Colorado Constitution.

*Forecast Period* – is the period in which the City Council has directed the Finance Department to utilize in making long-range financial forecasts for the City's main operating and capital funds: General, Capital, and Parks and Recreation.

*Fund* – is a set of inter-related accounts to record cash and other financial resources, in addition to all related liabilities and residual balances or equity, which may be segregated for the purpose of specific activities or objectives.

*Fund Balance* – is the cumulative difference of all revenues and expenditures in a specific Fund.

*Revenues* – are funds received from the collection of taxes, fees, interest income, grants, and other miscellaneous revenues during the fiscal year.

### III. **Policy**

It is the policy of the City Council to ensure the fiscal health of the community against unforeseen circumstances by maintaining Fund Balances and Emergency Reserves at sufficient levels to avoid disruptions to normal operations.

### IV. **Fund Balance Emergency Reserve Goals**

A. **General Fund** – Within the General Fund, there shall be maintained a Reserve equivalent to 50% of current budgeted Revenues for this Fund, excluding interfund transfers.

B. **Parks and Recreation Fund** – Within the Parks and Recreation Fund, there shall be maintained a Reserve equivalent to a minimum of 25% of current budgeted Revenues for this Fund, excluding interfund transfers.

C. **Capital Fund** – There shall be maintained a Reserve equivalent to the subsequent Budget year Capital Fund forecast, excluding the Parks and Recreation Fund CIP. The Reserve for the Capital Fund will be kept inclusive with all other General Fund Reserves.

**V. Acceptable Uses of Reserves**

Reserves are meant to address unexpected, nonrecurring costs such as poor economic conditions or events that disrupt the City's revenues. In such cases, Reserves may be used to provide short-term relief so that the City can restructure its operations in an orderly manner.

**VI. Authority to Use Reserves**

Use of Reserves consistent with this Policy must be authorized by Resolution by the City Council.

**VII. Forecast Period Reserve Shortfall**

The City's finance department will conduct long-range forecasting to determine if the City is likely to meet the Reserve amounts for each Fund shown above during the Forecast Period. If the Reserve is forecast to fall below the Policy amount (Shortfall), the City Manager will develop a plan to replenish the Reserve to the Policy amount through the Forecast Period. This plan will be submitted to the City Council no later than the date of submission of the next Proposed Budget. The City Council shall review and approve the plan by Resolution.

**VIII. Replenishment of Reserves**

If the City uses its Reserves, the City Manager will propose a plan for the replacement of the Reserves. The City Council shall review and approve the plan by Resolution. The City will try to replace the Reserves within the minimum amount of time that is practical.

**IX. Annual Review**

Compliance with the provisions of this policy shall be reviewed as part of the Budget adoption process.