Town of Ninety Six, South Carolina

Statement of Reserve Fund Policy

Dated : April 20, 2015

Purpose:
The Purpose of this Resolution is to set forth guide lines for the establishment, collection, and usage of a designated fund titled Reserve Fund.

Scope:
The Scope of the Reserve Fund Resolution is to establish a fund account, provide means of contributions to the account, maintaining a positive account balance, and define regulations for usage of these funds.

Definitions:
1. Budget – The Operations Budget of the Town of Ninety Six.
2. Council – Town Council of Ninety Six, South Carolina
3. Reserve Fund - Restricted monetary fund used as a reserve in the event of low cash flow or emergency financial issues
4. Restricted Account – A bank account with limitations on the amount and/or usage of funds in the account.
5. Town – The Town of Ninety Six, South Carolina
6. Undesignated Funds – Funds which can be used for multiple usages and not tied to a specific use.

Reserve Funds

- Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments.
- Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements.
- In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes.
- A reasonable level of unreserved, unappropriated fund balance provides a cushion for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available to meet the cost of operations.
- Combining a reasonable level of undesignated fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

Intended Use of Reserves

- Reserve funds, like other savings plans, are mechanisms for accumulating cash for future allowable purposes.

- The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management.
- Saving for future needs can reduce or eliminate interest and other costs associated with debt issuances.
- Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).
- Most reserve funds are established to provide resources for an intended future use. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.
- Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget.
- Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy.

Guidelines for the Reserve Fund

- The Reserve Fund is established as part of the General Operating Budget.
- This Fund is a line item set forth yearly in the Budget and therefore presented to the Town citizens, at Public Hearing, and voted upon by Council as part of the Operating Budget Process.
- These Funds can be used as requested by Town Council for different usages, therefore defining them as unrestricted funds.
- Any funds used from this account require a discussion by Council with a Majority Vote of All of Council.
- Reserve Funds can be "borrowed" to supplement General Budget issues, with all borrowed funds paid back when such funding is available and within specified times as voted upon at time of agreements made.
    - When such funds are used as "borrowed", a Majority Vote of All of Council is required.
- When this Fund is used, any and all activity will be reported as a line item summery included with the Monthly Financial Report given by the Town Clerk/Treasure at regular Monthly Town Council Meetings.