



RESERVE BALANCE POLICY

PURPOSE The purpose of the Reserve Balance Policy is to ensure the City remains a financially stable organization by maintaining appropriate reserves. Adequate reserves position the City to effectively plan for cash funded needs, as well as unplanned needs caused by significant economic downturns, manage the consequences of outside impacts that result in revenue reductions and address unexpected emergencies, such as natural disasters, catastrophic events or excess liabilities or legal judgements.

SCOPE All operating funds of the City.

POLICY It is the policy of the City to establish and maintain adequate reserves based on consideration of risks to operations, in the budgetary fund balance across a spectrum of City operating funds. The budgetary fund balance represents the one-time amount accumulated from prior years, which is different than the fund balance under Generally Accepted Accounting Principles (GAAP) but includes the same constraints on spending.

PRACTICE: General Fund Reserve Policy

The General Fund is the main operating fund that pays for the general services provided by the City, such as public safety, parks, and library services. The General Fund accounts for all general revenues of the City and for expenditures related to the rendering of the City's general services. The General Fund is considered to have a high level of risk to operations due to its dependence on revenue streams that are susceptible to economic downturns and revenue reduction impacts from outside actions. In addition, the General Fund is the main funding source when responding to unexpected events or emergencies.

The City desires to maintain a prudent level of reserves based on the revenue impacts described above and the City's desire to maintain strong bond ratings to minimize borrowing costs. This reserve policy sets the targeted minimum level at 22% of General Fund annual expenditures which equates to approximately 2.5 months of reserves. The 22% consists of the 2 months of annual expenditures and 5% which is the approximate amount of Building Department unspent revenue (which can only be used to cover the cost of the Building Department) and the unspent development related revenue tied to engineering costs. This reserve is to provide stability and flexibility to respond to unexpected

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adversity and/or opportunities. Should the minimum level fall below its target, a plan will be formulated to restore within a three-year period.

Other Fund Reserve Policies

Other funds have been identified as needing reserves due to one or more of the following reasons: self-supporting in nature, the potential for unanticipated revenue or expenses changes that can negatively affect operations, to help maintain a stable fee structure, legally required in an interlocal agreement, or to cover the potential of unanticipated events threatening the public health, safety, or welfare. Reserves have been created in Camas/Washougal Fire Department, Enterprise Operating Funds (i.e., Water/Sewer, Solid Waste, Stormwater), Pension Funds, Replacement Funds, and Bond Reserve Funds.

Targeted reserves will be maintained as described below. Reserves should only be utilized after all other budget resources have been examined for available funds. Should the minimum target level for any of the funds identified fall below its target, a plan will be formulated to restore within the next year, but not to exceed a three-year period.

Camas-Washougal Fire Department accounts for the revenues and expenditures made in purchasing, maintaining, operating, and providing fire services, emergency aid service and ambulance transport for both cities and emergency aid services and ambulance transport services for East County Fire and Rescue. The City of Washougal and East County Fire and Rescue pay the City a fee from their EMS levies to fund their proportionate share of emergency aid service and ambulance transport services. The City of Washougal makes additional contributions to fund Washougal's proportionate share of fire services and to build reserves. Camas and Washougal agreed to target a reserve balance of 17% of annual expenditures.

Stormwater Enterprise Fund accounts for specific services funded directly by fees and charges to City stormwater customers. The fund is intended to be self-supporting and will maintain a minimum target reserve of 18% of annual expenditures. Other Stormwater reserves may be created when deemed appropriate (i.e., land, capital projects).

Solid Waste Enterprise Fund accounts for specific services funded directly by fees and charges to City Solid Waste customers. The fund is intended to be self-supporting and will maintain a minimum target reserve of 18% of annual expenditures. Other Solid Waste reserves may be created when deemed appropriate (i.e., equipment, trucks).

Water/Sewer Enterprise Fund accounts for specific services funded directly by fees and charges to City Water/Sewer customers. The fund is intended to be self-supporting and will maintain a minimum target reserve of 18% of annual

expenditures. Other Water/Sewer reserves may be created when deemed appropriate (i.e., capital, bond reserves, capital projects).

Equipment Rental and Replacement Fund will maintain a minimum target reserve of 10% of the total City fleet replacement value. A fleet management vehicle replacement plan will be reviewed annually by the Public Works Director to ensure systematic replacement of vehicles based on combination of miles driven, repairs and maintenance schedules and years of service.

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