



MEMO

Department

To: Legislative Committee
From: Finance Director, Van Rossum
Date: 2/19/2025
Re: Resolution - Fund Balance Policy Adjustment

Background information:

The attached resolution is adjusting the policy to maintain a minimum undesignated fund balance of 30% would align with best practices and financial prudence. This change will provide the following benefits to the City:

1. **Financial Stability & Risk Management** – Ensures the city has a financial cushion to manage unexpected shortfalls, emergencies, or economic downturns without immediately resorting to budget cuts or tax increases.
2. **Improved Creditworthiness** – A healthy fund balance enhances the city's credit rating, potentially leading to lower borrowing costs for future capital projects.
3. **Operational Flexibility** – Provides liquidity to cover unexpected expenditures, such as infrastructure repairs, emergency response costs, or fluctuating revenue streams.
4. **Tax Rate Stability** – Helps prevent sudden tax increases by allowing the city to smooth out revenue shortfalls over time rather than making abrupt adjustments to tax rates.
5. **Enhances Public Confidence** – Demonstrates fiscal responsibility to residents, businesses, and stakeholders, reinforcing trust in local government management.
6. **Compliance with Best Practices** – Aligns Kaukauna with the recommended reserves to cover at least three months of operating expenses.
7. **Supports Strategic Planning** – Provides a financial buffer that allows the city to pursue long-term projects and economic development initiatives without jeopardizing essential services.

Strategic Plan:

Increasing the fund balance threshold to 30% supports the City's long-term financial health and strategic objectives. This adjustment enhances fiscal resilience, promotes responsible governance, and aligns with efforts to maintain the City's strong economic standing.

Budget: No immediate funding request is associated with this policy adjustment. The proposal ensures that financial reserves are allocated appropriately to sustain long-term operational stability.

Staff Recommended Action:

Approve the attached resolution to establish a minimum undesignated fund balance of thirty percent (30%) of general fund operating expenses and forward on to the Council for consideration.

RESOLUTION NO. 2025-XXXXXX

**RESOLUTION ESTABLISHING A POLICY FOR ACCUMULATING A
SURPLUS UNDESIGNATED FUND BALANCE**

WHEREAS, the City of Kaukauna recognizes the importance of maintaining a fiscally responsible and sustainable financial position; and

WHEREAS, an adequate undesignated fund balance is essential to ensure financial stability, provide liquidity for operations, and safeguard against unexpected economic downturns or emergencies; and

WHEREAS, establishing a policy to accumulate and maintain a surplus undesignated fund balance at a minimum level of 30% of annual operating expenses promotes sound financial management and strengthens the City's overall fiscal health.

THEREFORE, BE IT RESOLVED by the Common Council of the City of Kaukauna, Wisconsin, that: The City shall accumulate and maintain a surplus undesignated fund balance in an amount not less than thirty percent (30%) of General Fund (101) annual operating expenses.

BE IT FURTHER RESOLVED the undesignated fund balance shall be used as a financial safeguard to address unforeseen revenue shortfalls, emergency expenditures, or other financial contingencies as determined by the Common Council.

BE IT FURTHER RESOLVED that any utilization of the undesignated fund balance that results in a balance below the 30% threshold shall require approval from the Common Council and shall include a plan to restore the balance to the minimum level within a reasonable timeframe.

BE IT FURTHER RESOLVED that the Finance Director shall regularly review its financial condition, revenue projections, and expenditure trends to ensure compliance with this policy.

BE IT FURTHER RESOLVED this resolution shall take effect immediately upon adoption and shall remain in force unless amended or repealed by the Common Council.

Introduced and adopted this 19th day of February 2025.

APPROVED: _____
Anthony J. Penterman, Mayor

ATTEST: _____
Kayla Nessman, Clerk