



Agenda Item Summary Sheet

Date: June 6, 2023

Item #: 9 c

Item Title: Amendment to the Unreserved Fund Balance Policy

Item Summary: The Town Council amended the Unreserved Fund Balance in October 2020 increasing the minimum amount of unreserved fund balance from \$1.75 million to \$3 million. This increase was approved to ensure that funds would be available for the avoidance of cash flow interruptions in the event of a natural disaster or significant financial downturns. An increase of an additional \$500,000 is recommended as an acknowledgement of the potential for the Town to one day assume the operation of fire services.

The contract for fire services between the Town and the Southern Shores Volunteer Fire Department outlines several reasons why the contract may become void. In the event the contract becomes void, the Town would assume ownership of the assets and responsibility to provide fire services. It is likely a Fire Department would be created and housed under Town government which would require new funding above and beyond the amount currently budgeted for the contract. While the increase of \$500,000 will only fund a portion of one year of operational expenses, it also recognizes the continued need to plan for potential financial responsibility.

Staff Recommendation: Staff recommends that the Town Council adopt the attached amended fund balance policy. Doing so should present a commitment on the Town's behalf to continue its strong financial position and conservative approach to managing its revenue and expenditures, which better positions the Town should it one day assume the role presently provided by the SSVFD.

Requested Action: A motion to amend the Fund Balance Policy as presented.

Attachments:

Draft amended Fund Balance Policy