

City of Tualatin Contingency and Reserve Policy (August 2023)

The purpose of this policy is to ensure that the City maintains a prudent level of financial resources to protect against the need to reduce service levels due to temporary revenue shortfalls or unpredicted one-time expenditures.

1. The City will maintain fund balances of the various operating funds of the City at adequate levels to mitigate current and future risks from revenue shortfalls or unanticipated expenditures and at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.
2. The City shall establish a contingency to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. In accordance with local budget law in the State of Oregon, the contingency must be an appropriated budget item, though funds may not be directly disbursed from the contingency account. Amounts must be reclassified into another appropriation of a fund by resolution or through a supplemental budget process. The City shall maintain minimum contingency amounts for the following funds:
 - a. General Fund – 15% of total expenditures
 - b. Building Fund and all Utility Funds – 15% of total expenditures
 - c. Capital Project Funds – 15% of total expenditures, or net balance of the fund
3. Unappropriated Fund Balances are amounts that are set aside for future years and cannot be transferred by resolution or appropriated through a supplemental budget, unless necessitated by a qualifying emergency as defined in Oregon Revised Statutes (ORS) 294.481. Reserves for Future Expenditure are amounts that are planned to be saved for use in future fiscal years. If the need arises during the fiscal year to spend reserves, a supplemental budget may be adopted to appropriate the expenditure, as defined in ORS 294.471. The City should maintain the following as either Unappropriated Fund Balances or Reserves for Future Expenditures:
 - a. General Fund – 10% of total appropriations to provide the City with the necessary working capital until property tax receipts are received from the County Treasurer in November.
 - b. Building Fund – net balance of building related fees, as per ORS 455.210
 - i. Due to fluctuations in development related activity year-to-year, the target for total reserves and contingencies should be 18 months of operating expenditures,
 - c. Utility Funds – net balance of fund
4. Other individual funds may have contingency or reserve requirements set by the Tualatin Municipal Code, State Statutes, Bond Covenants or other legally binding documents.

The amounts recommended above may be exceeded as circumstances warrant due to special operational or capital project needs, but the City will adhere to the policy that expenditures which are anticipated, expected to occur during the fiscal year and can reasonably be ascertained and estimated, should be part of the basic budgeted appropriations.