RESOLUTION NO. 4088-26

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF WINDSOR ADOPTING THE TOWN COUNCIL RESERVE AND FUND BALANCE POLICY AND DIRECTING ITS INCLUSION IN THE CONSOLIDATED FISCAL POLICIES

WHEREAS, as part of the Town's broader effort to modernize its financial management framework, staff has prepared updated fiscal governance policies for Town Council adoption, which are intended to complement the new Purchasing Ordinance; and

WHEREAS, the Reserve and Fund Balance Policy establishes minimum and target reserve levels for the General Fund and Enterprise Funds, consistent with Government Finance Officers Association (GFOA) best practices, and provides guidance on the appropriate use and replenishment of reserves; and

WHEREAS, the Reserve and Fund Balance Policy formalizes the Town's reserve structure by establishing a minimum General Fund reserve of 15% of annual operating expenditures and a target reserve level of 25%, and by defining minimum working capital requirements for Enterprise Funds; and

WHEREAS, the policy reinforces the Town's commitment to long-term fiscal stability, service continuity during emergencies, and responsible stewardship of public funds by establishing clear standards for reserve use, replenishment, and fund balance classification.

NOW, THEREFORE BE IT RESOLVED that the Town Council of the Town of Windsor hereby adopts the Town Council Reserve and Fund Balance Policy, attached hereto as Exhibit A and incorporated herein by reference; and

BE IT FURTHER RESOLVED that the Town Council authorizes the Town Manager and Administrative Services Director to implement the policy and ensure alignment between the Reserve and Fund Balance Policy, the Purchasing Ordinance, and related Town Manager Administrative Policies.

PASSED, APPROVED AND ADOPTED this 20th day of May 2026, by the following vote:

AYES:	**COUNCILMEMBERS LEEP, SALMON, WALL, VICE MAYOR POTTER AND MAYOR REYNOZA**
NOES:	**NONE**
ABSTAIN:	**NONE**
ABSENT:	**NONE**

ROSA REYNOZA, MAYOR

ATTEST:

SOMMER HAGEMAN, DEPUTY TOWN CLERK

Attachment:

- **Exhibit A** – Town Council Reserve and Fund Balance Policy

TOWN OF WINDSOR

Town Council Policy

SUBJECT/TITLE:	POLICY NO:	APPROVED BY:	APPROVAL DATE:
Reserve and Fund Balance Policy		RESO NO:	

PURPOSE

This policy establishes the framework for maintaining prudent financial reserves within the Town of Windsor's General Fund and Enterprise Funds.

The purpose of this policy is to:

- Protect the Town from revenue volatility and economic downturns
- Maintain service continuity during emergencies or disasters
- Provide resources to address unexpected infrastructure failures
- Promote long-term fiscal stability
- Establish minimum and target reserve levels
- Provide direction for the use and replenishment of reserves

This policy incorporates Government Finance Officers Association (GFOA) best practice guidance regarding the maintenance of adequate financial reserves.

AUTHORITY

The Town Council has the authority to establish and modify reserve levels and policies governing the use of fund balance and working capital.

This policy governs the establishment, use, and replenishment of financial reserves.

SCOPE

This policy applies to:

- The General Fund
- Water Enterprise Fund
- Wastewater Enterprise Fund

Other funds may maintain reserves as appropriate but are not governed by minimum reserve requirements under this policy.

GUIDING PRINCIPLES

The Town is committed to maintaining prudent reserve levels to:

- Mitigate short-term revenue fluctuations
- Address emergency events
- Reduce reliance on short-term borrowing
- Preserve creditworthiness
- Avoid sudden service reductions

Reserves are not intended to fund recurring operating deficits.

GENERAL FUND RESERVES

Minimum Reserve Requirement

The Town shall maintain a minimum General Fund reserve equal to 15% of annual operating expenditures.

The minimum reserve shall consist of:

- **15% Operating Reserve**

This amount represents approximately two months of operating expenditures and is consistent with GFOA minimum recommendations.

Under no circumstances shall the General Fund reserve fall below 15% without Town Council action.

Target Reserve Level

The Town's target General Fund reserve level shall be **25% of annual operating expenditures**, layered as follows:

- 15% Operating Reserve
- 10% Disaster and Economic Uncertainties Reserve

The Disaster and Economic Uncertainties Reserve is intended to address:

- Economic downturns
- State or federal revenue reductions
- Natural disasters
- Major unforeseen events

Amounts above the 25% target are subject to Council discretion.

Use of General Fund Reserves

Use of General Fund reserves requires Town Council approval.

Reserves may be used for:

- Declared emergencies
- Revenue shortfalls
- One-time expenditures
- Economic stabilization

Reserves within the target reserve level shall not be used to support ongoing structural operating deficits.

Replenishment

If reserves fall below the 15% minimum:

- The Town Council shall adopt a plan to restore reserves to minimum levels.
- Future year-end surpluses shall first be applied toward restoring reserve levels.

ENTERPRISE FUNDS

Enterprise fund reserves are measured using working capital, defined as current assets minus current liabilities.

Minimum Working Capital Requirement

Each Enterprise Fund shall maintain a minimum reserve structure totaling **50% of annual operating expenditures**, structured as follows:

- 15% Operating Working Capital
- 25% Reserve for Unexpected Infrastructure Failure
- 10% Reserve for Economic Uncertainties and Disaster

The Operating Working Capital reserve supports routine operational liquidity.

The Infrastructure Failure reserve supports major system failures, emergency repairs, and regulatory compliance costs.

The Economic Uncertainty and Disaster reserve protects rate stability during revenue volatility or emergency events.

Use of Enterprise Reserves

Use of Enterprise Fund reserves requires Town Council approval.

Reserves may be used for:

- Major infrastructure failure

- Emergency system repair
- Revenue stabilization
- One-time capital needs

Enterprise reserves shall not be used to subsidize unrelated funds.

Replenishment

If Enterprise Fund reserves fall below minimum levels:

- The Town shall evaluate rate adjustments, expenditure reductions, or phased replenishment strategies.
- Future operating surpluses shall first be directed toward restoring reserve levels.

CAPITAL REPLACEMENT RESERVE

The Town may maintain capital replacement reserves to support the replacement of vehicles, equipment, and other short-lived capital assets used in current operations.

Funding Mechanism

Funding of capital replacement reserves is not mandatory.

The Town Council has authority to commit fund balance by formal action in accordance with GASB Statement No. 54.

Management, through the Town Manager and Administrative Services Director, has authority to assign fund balance for intended purposes in accordance with GASB Statement No. 54.

Capital replacement reserves shall be classified as:

- Committed Fund Balance when established by Council resolution; or
- Assigned Fund Balance when designated by management for an intended purpose.

Assigned balances may be modified as fiscal conditions require.

Use

Capital replacement reserves may be used for:

- Replacement of existing capital assets
- Major rehabilitation of existing operational assets
- Regulatory compliance-related replacement

Capital replacement reserves shall not be used for new program expansion or growth-related capital.

GOVERNMENT FUND BALANCE CLASSIFICATIONS

In accordance with GASB Statement No. 54, the Town shall classify General Fund balance in the following categories:

Non-spendable
Amounts not in spendable form or legally required to remain intact.

Restricted
Amounts constrained by external parties, constitutional provisions, or enabling legislation.

Committed
Amounts formally committed by Town Council action to a specific purpose. Commitments require the same level of formal action to remove or modify.

Assigned
Amounts intended for a specific purpose as determined by management or Council action.

Unassigned
Residual balance available for any lawful purpose within the General Fund.

Order of Expenditure
When multiple classifications are available for expenditure, resources shall be expended in the following order:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

This ordering promotes compliance with legal and policy restrictions.

ENTERPRISE FUND NET POSITION

Unexpended appropriations lapse at the end of each fiscal year unless approved for carryover in accordance with this section.

General Principles

Enterprise funds are accounted for on the accrual basis of accounting.

For purposes of reserve calculation and policy compliance, working capital shall be used as the metric for available financial resources.

Working capital is defined as:

Current assets minus current liabilities.

Enterprise reserves established under this policy represent internal policy targets and do not alter the classification of net position in financial statements.

RESERVE CALCULATION METHODOLOGY

Reserve compliance shall be calculated at two points annually:

At Budget Adoption

Reserve levels shall be calculated using adopted operating appropriations for the upcoming fiscal year.

This calculation ensures compliance with minimum and target reserve levels at the time the budget is adopted.

At Fiscal Year-End

Reserve levels shall be recalculated using actual operating expenditures for the completed fiscal year.

This calculation ensures compliance based on actual financial performance and determines whether replenishment actions are required.

REVIEW AND AMENDMENT

This policy shall be reviewed at least once per budget cycle or sooner if warranted by:

- Changes in economic conditions
- Significant fiscal stress
- Audit recommendations
- Council direction

Amendments require Town Council approval.

END.

REVISION HISTORY: