

TOWN OF PORTSMOUTH, RI
Ordinance # 2005 -4-11-A

UNRESERVED GENERAL FUND BALANCE ORDINANCE

Be it ORDAINED by the Town Council of the Town of Portsmouth, Rhode Island, as follows:

1. The Unreserved General Fund Balance of the Town of Portsmouth will be maintained at a level sufficient to provide for the required resources to:
 - a. Maintain creditworthiness with bond rating agencies,
 - b. Ensure short-term cash availability when revenue is unavailable or unanticipated expenditures occur,
 - c. Minimize interest expense for operating budget needs (short term borrowing) and capital projects,
 - d. Provide for investment income,
 - e. Provide for stable tax rates, and
 - f. Enhance planning for contingencies and long term planning.
2. The Unreserved General Fund Balance does not include reservations of fund balance for the payment of encumbrances or reservations for purposes that are allowed under generally accepted accounting principles (e.g., inventories, encumbrances).
3. The Town will maintain a minimum Unreserved General Fund Balance of eight (8) percent of the current period's budgeted expenditures.
4. Unreserved General Fund Balance in excess of the minimum recommended level may be utilized for the following purposes:
 - a. Stabilizing tax rates or fluctuations in cash flow requirements,
 - b. Meeting future capital needs,
 - c. Counterbalancing difficult economic periods, and
 - d. Accommodating emergency situations
5. To avoid a balance in excess of the level deemed sufficient for prudent fiscal management, the Town will maintain a maximum Unreserved General Fund Balance of sixteen (16) percent of the current period's budgeted expenditures. Excess amounts will be available for appropriation by the Town Council in a subsequent fiscal year to fund capital, operating or debt service expenditures as determined by the Town Council during the budget process for that subsequent fiscal year.
6. If the Unreserved General Fund Balance falls outside of the above minimum or maximum parameters, the Town Council will adjust budgeted revenues to be either greater or lesser than budgeted expenditures in subsequent fiscal years to bring the Unreserved General Fund Balance into compliance with this policy.
7. This ordinance shall take effect upon passage.

ADOPTED BY TOWN COUNCIL
ACTION ON April 11, 2005

Kathleen Viera Beaudoin, Town Clerk