

Reserve Policy

Objective: A reserve provides protection from risk. Tompkins County faces risks like revenue shortfalls during recessions and losses from extreme events. Reserves help make sure that Tompkins County can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much the County will try to retain. It also describes acceptable uses of reserves.

Policy/Procedure Number: 05-14

Effective Date: September 19, 2023

Responsible Department: Finance

Reference: (All Applicable Federal, State and Local Laws)
Capital Reserve Fund (GML Sections 6-c, 6-g); Repair Reserve Fund (GML Section 6-d); Contingency and Tax Stabilization Reserve Fund (GML Section 6-e); Snow and Ice Removal and Road Repair Reserve (GML Section 6-f), Reserve Fund for Payment of Bonded Indebtedness (GML Section 6-h); Airport Amortization Fund (GML Section 6-i) ; Airport Development Fund (GML Section 6-i); Workers' Compensation Reserve Fund (GML Section 6-j); Electric Utility Depreciation Reserve Fund (GML Section 6-k); Mandatory Reserve Fund (GML Section 6-l); Unemployment Insurance Payment Reserve Fund (GML Section 6-m); Insurance Reserve Fund (GML Section 6-n); Solid Waste Management Facility Reserve (GML Section 6-o); Employee Benefit Accrued Liability Reserve Fund (GML Section 6-p); Retirement Contribution Reserve Fund (GML Section 6-r); Tax and Revenue Anticipation Fund (County Law Section 372)

Modified Date (s):

Resolution No.: 2023-198

Next Scheduled Review: September 2028

Legislative Policy Statement:

General Information: A reserve fund is set up to provide a means for legally saving money to finance future infrastructure, equipment, etc. and can help with financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. It is also a budgetary option to help mitigate the need to cut services and/or raise taxes. Surplus money not currently needed can be set aside in reserves for future use.

I.

Definitions: **Reserve Funds** - A mechanism for accumulating cash for future capital outlays and other allowable purposes per statutory authorizations.

II. Policy:

A. Tompkins County will attempt to hold the following amounts in reserves. The amount of money held in reserve may be a percent of expenses or a predetermined dollar amount that will be considered in conjunction with the County's *Administrative Policy 05-04: Fund Balance*. This is so that Tompkins County's reserve stays consistent with the size of the budget over time.

- At a minimum, the Reserve for Payment of Bonded Indebtedness will be equal to at least 100% of the current year's bond payments, and the maximum size of the reserves is 100% of all future committed bond payments;
- At a minimum, the Capital reserve will be equal to at least 10% of the current year's budgeted local share capital project expenses, and the maximum size of the reserves is 100% of the current year's budgeted local share capital project expenses;
- At a minimum, the Insurance reserve will be equal to at least the current insurance deductible;
- Contingency and Tax Stabilization reserve minimum will be based on a 3-year trend of spending;

- Workers' Compensation reserve minimum will be based on a 3-year actual spending trend; and
- The Unemployment Reserve minimum will be based on a 3-year actual spending trend.

B. Tompkins County's Finance department will conduct long-range forecasting to decide if Tompkins County is likely to stay within its range of reserves.

C. If the minimum reserve is not kept during the forecast period, the County Administrator, working with the Finance Director, will develop a plan to bring the reserve to the desired amount. This plan will be offered to the Tompkins County Legislature for consideration. If the maximum reserve is exceeded during the forecast period, Tompkins County may spend the excess reserves, following the particular underlying purpose upon which the reserve was established and statutorily authorized. Reserves should be treated as a one-time revenue, as per Tompkins County's fiscal policy on one-time revenues.

III. Procedure

A. Acceptable Uses of Reserves

Reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt Tompkins County's revenues. In such cases, reserves may be used to provide short-term relief so that Tompkins County can restructure its operations in an orderly manner.

B. Authority to Use Reserves

The County Administrator or their designee may authorize the use of reserves for purposes consistent with this policy.

C. Replenishment of Reserves

If Tompkins County uses its reserves and those reserves are below the allowed maximum, then the County Administrator, working with the Finance Director, will propose a plan for the replacement of the reserves. Tompkins County Legislature will review and approve the plan. Tompkins County will try to replace the reserves within the minimum amount of time that is practical.