



**LYNNWOOD  
WASHINGTON**

**RESOLUTION NO. 2014-20**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LYNNWOOD,  
WASHINGTON, RELATING TO THE CITY'S FINANCIAL POLICIES FOR  
RESERVE FUNDS; AMENDING ATTACHMENT A TO RESOLUTION NO.  
2011-06.**

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WHEREAS, the Lynnwood City Council adopted Resolution No. 2000-03 defining recommended budget practices, including Section 2.1 which recommend the development of a series of financial policies; and

WHEREAS, in Resolution No. 2000-12, the Lynnwood City Council adopted "Financial Policies" for the City; and

WHEREAS, in Resolutions No. 2003-06, 2005-04, and 2011-06, the Lynnwood City Council amended the "Financial Policies" for the City; and

WHEREAS, the City Council intends that the Financial Policies be reviewed and revised periodically; and

WHEREAS the Lynnwood City Council has reviewed and deliberated on the recommended revisions to the financial policies and finds that it is in the best interest of the City to revise its financial policies related to the City's Reserve Fund as set forth in Attachment A to this Resolution;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LYNNWOOD DOES HEREBY RESOLVE THAT:

Section 1. The "Financial Management Policies," Section: Reserve Fund Policies, Subsection 1: Reserve Fund, Paragraph A.1.a; which is Attachment A to Resolution No. 2011-06, dated May 9, 2011, is hereby amended to read as stated in "Attachment A" to this Resolution, attached hereto and incorporated herein. The Mayor and Finance Director shall utilize these policies in preparation of City budgets and amendments thereto. The City budget and proposed amendments shall include as appropriate reference to, and the extent to which the preliminary budget and amendments complies with the policies.

Section 2. All other provisions of the "Financial Management Policies," Attachment A to Resolution No. 2011-06, shall remain in effect.

Section 3. Effective Date. This Resolution shall take effect immediately upon passage thereof.

PASSED BY THE CITY COUNCIL the 10th day of November, 2014.

APPROVED:

  
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Nicola Smith, Mayor

ATTEST/AUTHENTICATED:

  
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City Clerk

## Attachment A

### Reserve Fund Policies

Adequate reserve levels are a necessary component of the City's overall financial management strategy and key factor in external agencies' measurement of the City's financial strength. The City's available reserves are made up of an amount which is not expected to be expended (reserve funds) and an amount that is intended to be invested for the betterment of the community (development funds).

#### 1. Reserve Funds

- A. It is the policy of the City to maintain general governmental reserves and cash balances for general government at two levels and shall be made up of two components; the Revenue Stabilization Fund #198 and the General Fund Unencumbered Fund Balance (Cash Flow Balance):

- 1) General Fund Unencumbered Fund Balance to provide for adequate operating cash and cover substantial receivables until they are collected:

- a. ~~The City's General Fund shall maintain an unencumbered fund balance of at least \$4,000,000, or the amount of net receivables posted in the annual financial report, which ever is greater.~~

The City's General Fund shall maintain an *unassigned* fund balance of at least *the amount equivalent to the average of two month's expenses in the prior fiscal year.*

- b. Achieving and maintaining this balance is the highest priority over developing and maintaining other general fund reserves.
- c. The restricted reserves are intended to protect the city from major economic downturns and similar adverse financial conditions.
- i. It will be the goal of the City to maintain a Revenue Stabilization Fund at a level to cover at least two months operations in the General Fund which is equivalent to \$9,000,000 in 2011.
  - ii. Since these reserves are not currently available, the city will seek to build gradually to this goal reaching an interim target level of \$5,000,000 by 2016.
  - iii. Any general fund unencumbered ending balance by the end of the biennium in excess of \$4,000,000 shall be transferred by the City Council to the Revenue Stabilization fund #198 until the target in policy in (c)(ii) above is achieved.

- d. The City will review the unrestricted General Fund balance and Revenue Stabilization Fund #198 balance each July. To the extent that the City's audited financial statements identify a General Fund balance in excess of the target, the excess shall be allocated by the City Council, pursuant to these policies.