

**LEELANAU COUNTY
BOARD POLICY**

GENERAL SUBJECT: Financial & Investment Policies
Clerk/Treasurer

Policy No. **7.14**

SPECIFIC SUBJECT: Reserves Policy

Adopted: 04/17/1990

Revised: 05/20/2014

APPLIES TO: All Leelanau County Employees and Elected Officials

I. Budget Stabilization Fund

In accordance with County Ordinance No. 90-02, the County of Leelanau will maintain a Budget Stabilization Fund. This reserve fund will be maintained at 15 percent of the prior year's general fund budget or the average of the last five year's general fund budgets, whichever is lesser. When making a decision to expend monies from the Budget Stabilization Fund, the County Board of Commissioners shall appropriate only by a resolution adopted by a two-thirds vote of the members elected and serving and the Board shall make a specific finding of fact that the appropriation is for one or more of the following purposes:

- A. To cover a General Fund deficit when the County's annual audit reveals such a deficit.
- B. To prevent a reduction of public services or the number of employees at any time during the fiscal year when the County's budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses.
- C. To prevent a reduction in the level of public services or the number of employees at any time during the fiscal year when the County's budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses.
- D. To cover expenses arising because of a natural disaster including flood, fire, or tornado. However, if Federal and/or State funds are received to offset the appropriations from the fund, that money shall be returned to the fund.

Budget Stabilization Fund reserves shall not be appropriated for the acquisition, construction, or alteration of a facility as part of the general Capital Improvements Program (CIP).

In acting to appropriate funds from the Budget Stabilization Fund, the County Board of Commissioners shall not in any given year utilize more than 33-1/3 percent of the funds on hand in the Budget Stabilization Fund for the purposes of meeting conditions B and C, above.

The cash and investments of the Budget Stabilization Fund are subject to the requirements of PA 20 of 1943, as amended, (MCL 129.91) and may be included in a pooled cash and investment. Earnings of the fund's investments must be returned to the municipality's general fund (MCL 141.443(4).)

II. General Fund Contingency Account

The County will establish a contingency account in the annual General Fund budget to provide for unanticipated expenditures of a non-recurring nature or to meet unexpected small increases in service delivery costs. This reserve will be established at three percent (3%) of the General Fund revenue budget.

III. Equipment Replacement Funds

The County will establish equipment replacement (Internal Services) funds as appropriate and will make appropriations to such funds annually to provide for timely replacement of equipment. While such equipment replacement funds will initially be capitalized by General Fund appropriations, it is the intent of the Board that such funds will ultimately be sustained primarily via rental charges paid by the budgetary units utilizing items of equipment purchased via the fund. The Board recognizes that the addition of new types of equipment or increases in the volume of equipment utilized will normally require additional General Fund appropriations.

IV. General Fund/Fund Balance

The unreserved cash level of the fund balance of the General Fund, after the Budget Stabilization Fund is funded at the statutory maximum, shall be maintained at 10% of the current year's adopted General Fund budget.

V. Earmarked Reserves

From time to time, the Leelanau County Board of Commissioners, under unique circumstances, may establish earmarked reserves. Such reserves shall be utilized only for specified purposes which shall be established in the action initiating creation of the earmarked reserve. Such earmarked reserves shall be utilized only in circumstances where:

- A. The event or condition precipitating the need for the reserve is extraordinary and/or unique.
- B. The amount of financial resources estimated to be required is in excess of 3% of the current year adopted General Fund budget.

VI. Delinquent Tax Revolving Fund

The Leelanau County Board of Commissioners established the Delinquent Tax Revolving Fund (DTRF) under authority of the General Property Tax Act, MCL 211.1, et. seq. The County will strive to maintain a fully self-funded Delinquent Tax Revolving Fund with any surplus to be transferred or expended from this Delinquent Tax Revolving Fund only as specified in this Policy.

The Delinquent Tax Revolving Fund shall be maintained so that the principal amount, including accumulated investment earnings shall, on April 1 of each year, not be less than 1.70 times the "rolling" annual average of the total real property taxes returned delinquent to the County Treasurer for the immediately preceding three years. To the extent the balance from time to time in the Delinquent Tax Revolving Fund exceeds the minimum funding level required by application of this formula set may be considered "surplus," or at the discretion of the County Treasurer.

Surpluses shall be expended only to prepay principal on debt owed by the County and/or for one-time non-reoccurring expenditures on capital projects in accordance with the County's annually adopted six-year capital improvements program, and only upon approval of the County Board of Commissioners. Surpluses shall not be utilized for annually reoccurring operational expenses, including but not limited to such things as utilities, insurance, wages and fringe benefits, or interest on debt, with the exception of offsetting administrative costs to the General Fund.

Section 4.

The amount of money in the Budget Stabilization Fund shall not exceed either 15 percent of the most recent General Fund budget for Leelanau County as originally adopted, or 15 percent of the average of the five (5) most recent General Fund Budgets, as amended, for Leelanau County, whichever is less.

Section 5.

The money in the Fund may be invested, as provided by law, with the earnings of the Fund to be returned to the General Fund of the County.

Section 6.

If the money in the Budget Stabilization Fund exceeds that permitted in Section 4, the excess money shall be appropriated in the next General Fund Budget for Leelanau County but shall not be appropriated to the Fund.

Section 7.

Money in the Budget Stabilization Fund may be appropriated for the following purposes:

- 7.1 To cover a General Fund deficit, when the annual audit reveals such a deficit.
- 7.2 To prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the budgeted revenue is being collected in an amount sufficient to cover budgeted expenses.
- 7.3 To prevent a reduction in the level of public services or in the number of employees when preparing the budget for the next fiscal year, the estimated revenues do not appear sufficient to cover estimated expenses.
- 7.4 To cover expenses arising because of a natural disaster, including a flood, fire, or tornado. However, if federal or state funds are received to offset the appropriations from the Fund, that money shall be returned to the Fund.

Section 8.

In determining whether the revenues for Leelanau County are not sufficient to cover its expenses, a reduction in the amount of money received for the fiscal year from any source in comparison to the amount of money received for the previous fiscal year, including a reduction in the allocation of intergovernmental revenues, shall be considered.

Section 9.

The money in the Budget Stabilization Fund shall not be appropriated for the acquisition, construction, or alteration of a facility as part of a general capital improvements program.

Section 10.

This Ordinance may be amended by a two-thirds vote of the members elected and serving of the Leelanau County Board of Commissioners.

Section 11.

This Ordinance, and any amendments, shall become effective sixty (60) days after adoption and publication by the Leelanau County Board of Commissioners as required by law.

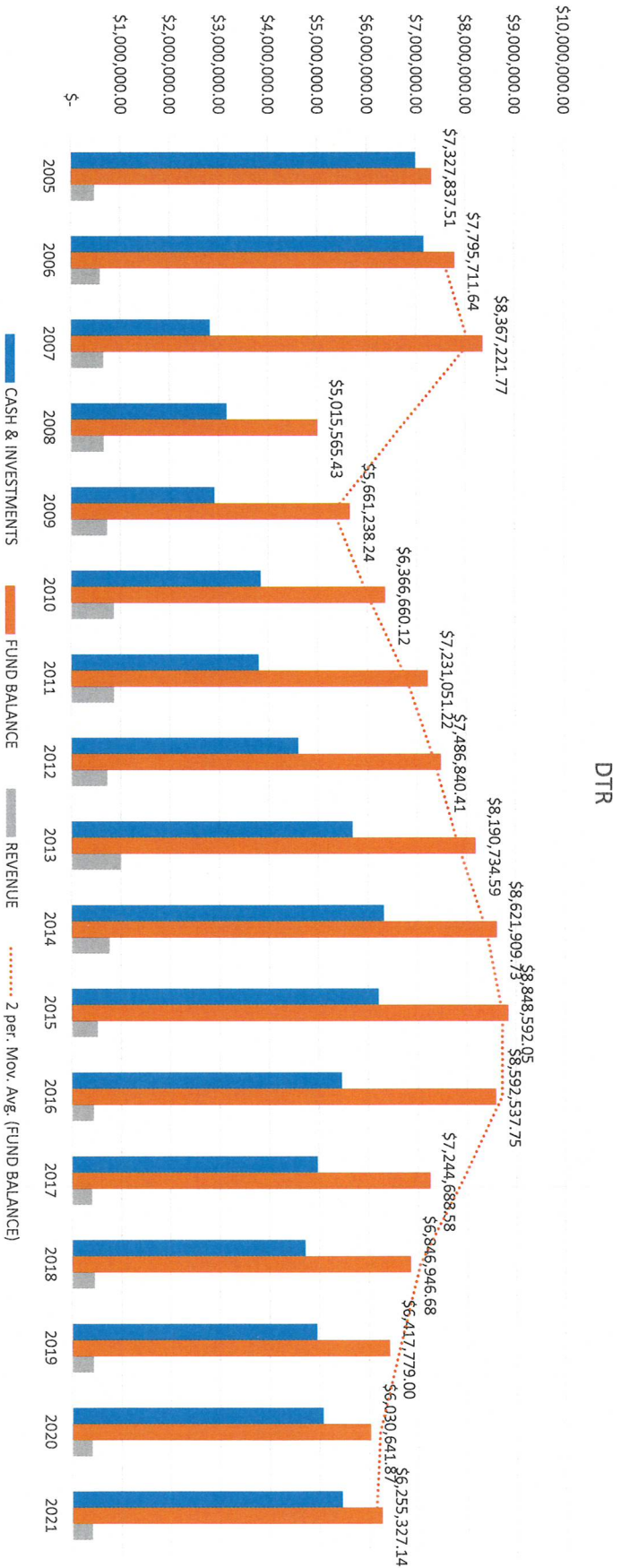
Ss/Philip E. Deering, Vice Chairman
Otto Mork, Chairman
Leelanau County Board of Commissioners

State of Michigan
County of Leelanau

I, Michelle L. Crocker, Clerk of said County and Clerk of Circuit Court for said County, the same being a Court of record having a seal, do hereby certify that the above is a true copy of the Record now remaining in my office and of the whole thereof. In Testimony whereof, I have hereto set my hand and affixed the seal of the Circuit Court the 4th day of August 2009.


Michelle L. Crocker, Leelanau County Clerk

DTR Revenue and Fund Balance



DTR Settlement vs Year End Cash

