

RESOLUTION #197-2023

AUTHORIZING ESTABLISHMENT OF CITY OF MARGATE CITY FUND BALANCE POLICY FOR FISCAL YEAR 2023

WHEREAS, the Board of Commissioners of the City of Margate City, County of Atlantic, wishes to adopt a Fund Balance Policy in order to protect against anticipated and unanticipated events that would adversely impact the overall financial condition of the City; and

WHEREAS the Chief Financial Officer recommends adopting a Fund Balance Policy to help ensure the current and future financial stability of the City; and

WHEREAS, the maintenance of fiscal stability is particularly important to the prudent and efficient operation of government and in determining its creditworthiness; and

WHEREAS, the ability to adjust local government revenue forecasts during the budget year and from year to year may be limited to meet unanticipated expenditures resulting from, inter alia, natural disasters, unforeseen increases in operating costs, unexpected capital expenditures; and

WHEREAS, changes in federal and state government spending policies may impact local government revenues, particularly if reductions in such spending force local governments to increase their own spending to make up for the loss in federal and state government revenue; and

WHEREAS, sufficient levels of unassigned fund balance can assure the continued orderly operation of government and the provision of services to taxpayers and the stability of the tax structure; and

WHEREAS, local governments frequently utilize a percentage of the municipality's annual operating expenditures as the means of determining the appropriate level of an unassigned fund balance; and

WHEREAS, the City has followed an informal policy over the past several years to govern the use of Surplus funds in a manner as described above;

NOW, THEREFORE, BE IT RESOLVED the Board of Commissioners of the City of Margate City, County of Atlantic does hereby adopt the following Fund Balance Policy for Fiscal Year 2023:

Purpose of Fund Balance:

The purpose of this policy is:

- to establish a Fund Balance policy to meet the needs of the City to protect against unanticipated events that would adversely affect the financial condition of the City and threaten the provision of necessary public services. This policy is intended to ensure the City maintains an adequate Fund Balance.
- to establish a Fund Balance policy that serves as the framework upon which consistent operations may be built and sustained.
- to establish a key element of financial stability of the City by setting guidelines for the use and maintenance of Fund Balance. Fund Balance provides cash flow liquidity for the

operations of the City. Fund Balance is used as a tool to mitigate and stabilize the amount to be raised through taxation to fund the annual operating budget.

Definitions:

Fund Balance – Net assets, or the difference between assets, liabilities and reserves in a governmental fund.

Surplus – Surplus is another term used by various agencies and is often used interchangeably in New Jersey with Fund Balance. The use of the term “Surplus” tends to insinuate it is unnecessary or excessive. The Township does not endorse the use of the term “Surplus” despite various State documents requiring us to report our “Fund Balance” under the title of “Surplus” in accordance with N.J.S.A. 40A:4-24.

Credit Rating – Credit rating agencies consider the adequacy of Fund Balance using a complex series of financial evaluations. The amount of Fund Balance on hand is important but is not the only consideration in the credit rating process of the City, which includes other economic indicators such as the stability of management, the rate of tax collections, the top tax payers, top employers and growth of the tax base. Rating agencies prefer to see Fund Balance policies of fifteen (15%) to twenty-five (25%) percent of annual City responsibilities.

Provisions:

It shall be the policy of the City of Margate City that unreserved, undesignated Fund Balance on January 1 of a given year should be between twenty (20%) to thirty (30%) percent of the previous year's operating budget.

Should Fund Balance fall below the twenty (20%) percent floor, the governing body shall take such action, aided by an economic plan developed by the Chief Financial Officer (CFO), to restore the Fund Balance to the target level within two years.

Should Fund Balance exceed thirty (30%) percent of the previous year's Operating Budget, the portion over the ceiling limit shall be added to the Amount of Surplus Anticipated funds in the current fund budget and specifically ear-marked to reduce short-term debt over the amount that would have been appropriated. If there is no short-term debt, or if the CFO determines it to be more fiscally prudent, the amount over the ceiling limit shall be used to either reduce un-issued debt over the amount that would have been appropriated, or reserved for future tax relief.

After the Annual Financial Statement has been filed, the CFO shall report to the Board of Commissioners of the City of Margate City on the status of Fund Balance as it relates to this policy. This report will then be considered during budget deliberations.

In any event, the amount of Surplus funds anticipated as a revenue in any budget year may not exceed the amount of Surplus funds re-generated from the previous budget year without a resolution of the Board of Commissioners of the City of Margate City, adopted prior to the introduction of the budget.

This Surplus Policy is to be adopted annually as early in the budget year as practicable and is subject to adjustment as necessary.

ROLL CALL:

NAME	MOTION	SECONDED	YES	NO	ABSTAINED	ABSENT
Collins		X	X			
Blumberg			X			
Horn	X		X			

DATE: September 7, 2023

CERTIFICATION

I, Johanna Casey, Clerk of Margate City, Atlantic County, do hereby certify the foregoing to be a true and correct copy of a resolution adopted by the Commissioners of the City of Margate City at a meeting of said Commission held on September 7, 2023 and said resolution was adopted by not less than a two-thirds vote of the members of the Commission.


 Johanna Casey, RMC, City Clerk

