

## **Resolution 2026-R-98**

### ***A Resolution Adopting a Fund Balance Policy***

**WHEREAS**, the City of Irondale, Alabama (the "City") is committed to maintaining sound fiscal management practices and long-term financial stability in the stewardship of public resources;

**WHEREAS**, the Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes fund balance classifications and reporting requirements that apply to the City's governmental fund financial statements;

**WHEREAS**, the Government Finance Officers Association ("GFOA") has published a Best Practice on Fund Balance Guidelines for the General Fund recommending that local governments adopt a formal written fund balance policy establishing minimum reserve levels, spending authorization procedures, and replenishment requirements;

**WHEREAS**, the City of Irondale currently maintains an unassigned General Fund balance of \$15,941,707 as of September 30, 2025, representing approximately 39.9% of annual General Fund revenues, which reflects exceptional fiscal discipline and provides a strong foundation from which to establish formal reserve policy standards;

**WHEREAS**, the Mayor has prepared and presented a comprehensive Fund Balance Policy, designated as Policy No. FIN-001, which establishes a three-tier reserve framework with a Floor of 16.7% of revenues, a Target of 25.0% of revenues, and a Ceiling of 41.7% of revenues, consistent with GASB Statement No. 54 and GFOA best practices, and which further establishes strategic designation priorities, replenishment requirements, budget integration standards, and annual reporting obligations;

**WHEREAS**, the adoption of a formal Fund Balance Policy is a prerequisite for and supports the City's pursuit of the GFOA Certificate of Achievement for Excellence in Financial Reporting, and further supports the maintenance of the City's AA bond rating from Standard & Poor's by demonstrating the institutional fiscal discipline that rating agencies evaluate in their assessment of local government creditworthiness; and

**WHEREAS**, the City Council has reviewed Policy No. FIN-001 in its entirety and has had the opportunity to ask questions of the Mayor regarding its provisions and has determined that its adoption is in the best interests of the City of Irondale and its residents.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Irondale, Alabama, duly assembled in regular session, that:

**Section 1. Adoption of Fund Balance Policy.** The City Council of the City of Irondale, Alabama, hereby adopts Fund Balance Policy No. FIN-001, a copy of which is attached hereto as Exhibit A and incorporated herein by reference as if outlined in full. The Fund Balance Policy shall be effective as of the date of adoption of this Resolution.

**Section 2. GASB 54 Compliance.** The City Council finds and declares that Policy No. FIN-001 is consistent with the requirements of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. All governmental fund financial statements of the City shall be prepared in conformity with the classification standards established in Policy No. FIN-001.

**Section 3. Reserve Targets — Formal Establishment.** The City Council hereby formally establishes the following reserve thresholds for the unassigned General Fund balance, as more fully described in Policy No. FIN-001: (a) a minimum Floor reserve of 16.7% of total annual General Fund revenues (approximately two months of operating capacity); (b) a Target reserve of 25.0% of total annual General Fund revenues (approximately three months of operating capacity); and (c) a maximum Ceiling reserve of 41.7% of total annual General Fund revenues (approximately five months of operating capacity). These thresholds shall be applied in the budget process and financial reporting of the City, effective immediately.

**Section 4. Strategic Designation — Mayor Direction.** The City Council directs the Mayor to prepare and present to the City Council, within ninety (90) days of the effective date of this Resolution, recommended resolutions for the formal designation of excess General Fund reserves above the Target level, consistent with the strategic designation priority framework established in Section 4 of Policy No. FIN-001. The Council specifically directs that the proposed designations include, at a minimum, a Capital Stabilization Reserve and a Water Fund Stabilization Reserve as described in Policy No. FIN-001.

**Section 5. Budget Integration.** Effective with the preparation of the City's FY 2026-27 annual budget, fund balance compliance projections consistent with Policy No. FIN-001 shall be incorporated into all budget proposals presented to the City Council. No annual budget shall be submitted to the City Council for adoption that projects the year-end unassigned General Fund balance below the Floor without a concurrent Restoration Plan as required by Section 5 of Policy No. FIN-001.

**Section 6. Annual Review Requirement.** An annual review of Policy No. FIN-001 following the close of each fiscal year shall be conducted no later than December 31 and to present the findings and any recommended amendments to the City Council no later than January 31 of the following year. The first annual review shall be presented to the City Council no later than January 31, 2027.

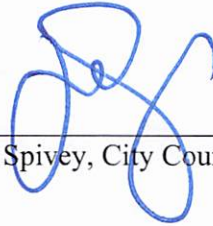
**Section 7. Disclosure to Rating Agencies and Auditors.** The City Clerk/Treasurer is directed to provide a copy of Policy No. FIN-001 to Standard & Poor's and any other bond rating

agencies reviewing the City's credit, and to the City's independent auditors, upon the adoption of this Resolution and upon any subsequent amendment. The Policy shall be referenced in the Notes to the Financial Statements and in the Management's Discussion and Analysis of the City's Annual Comprehensive Financial Report beginning with the fiscal year ending September 30, 2026.

**Section 8. Severability.** If any provision of this Resolution or Policy No. FIN-001 is held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.

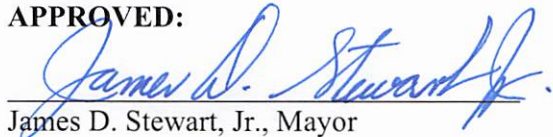
**Section 9. Effective Date.** This Resolution shall take effect immediately upon adoption by the City Council of the City of Irondale, Alabama.

**ADOPTED & APPROVED:** This 21st day of April, 2026.

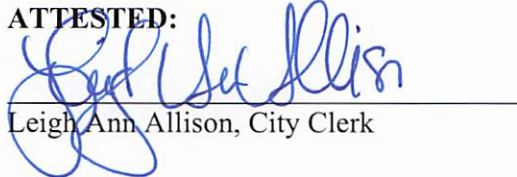


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David Spivey, City Council President

**APPROVED:**

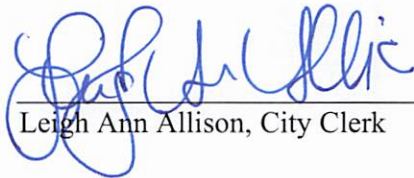
  
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James D. Stewart, Jr., Mayor

**ATTESTED:**

  
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Leigh Ann Allison, City Clerk

**CERTIFICATION**

I, Leigh Ann Allison, the City Clerk of the City of Irondale, Alabama, hereby certify that the above to be a true and correct copy of a resolution adopted by the City Council of the City of Irondale at its regular meeting held on the 21st day of April, 2026, as the same appears in the minutes of record of said meeting.

  
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Leigh Ann Allison, City Clerk

**EXHIBIT A**

# FUND BALANCE POLICY

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POLICY INFORMATION	DETAILS
Policy Number	FIN-001
Adopted by City Council	Resolution No. XX-XXX_
Effective Date	XX/XX/2026_____
Supersedes	No Prior Policy
Review Cycle	Annual — By December 31

*Adopted by Resolution No. XX-XXXX approved by the Irondale City Council on XXXXXXXX*

## 1 PURPOSE, SCOPE & LEGAL AUTHORITY

### 1.1 Purpose

The City of Irondale, Alabama (the "City") establishes this Fund Balance Policy to provide a formal framework governing the accumulation, maintenance, classification, use, and replenishment of fund balances in the City's governmental funds. This Policy is intended to:

- Ensure the City maintains adequate financial reserves to protect essential municipal services during periods of economic downturn, revenue shortfall, or unanticipated expenditure demand;
- Provide the City Council, management, residents, and external stakeholders — including bond rating agencies and financial institution partners — with clear, transparent standards for evaluating the City's financial health and reserve adequacy;
- Support the maintenance of the City's AA bond rating by demonstrating the institutional fiscal discipline that rating agencies assess in their evaluation of local government creditworthiness;
- Comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and align with best practices published by the Government Finance Officers Association (GFOA); and
- Prevent the structural erosion of reserves through ad hoc spending decisions made without reference to long-term financial sustainability standards.

### 1.2 Scope

This Policy applies to all governmental funds of the City of Irondale, including the General Fund, Capital Projects Fund, Public Building Authority Fund (blended component unit), and all nonmajor governmental funds. This Policy does not apply to proprietary funds (the Water Enterprise Fund), fiduciary funds (the OPEB Trust and Deferred Compensation Trust), or component unit funds, which are governed by separate financial policies or legal agreements.

### 1.3 Legal Authority and Background

The City of Irondale is an Alabama Municipal Corporation incorporated in 1887, governed by an elected Mayor and a five-member City Council. The City Council has the authority and responsibility to establish fiscal policy for the City. This Policy is adopted by City Council resolution and may be amended only by subsequent Council action.

*GASB Statement No. 54 establishes five fund balance classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. This Policy governs the Committed, Assigned, and Unassigned classifications, as Non-spendable and Restricted classifications are determined by external legal constraints beyond the City's discretion.*

## 2 FUND BALANCE CLASSIFICATIONS — GASB STATEMENT NO. 54

In accordance with GASB Statement No. 54, the City shall report fund balance in the following classifications, listed in order from most to least constrained:

Classification	Definition	Authority to Change	Irondale FY2025 Balance
Non-spendable	Amounts not in spendable form (e.g., prepaid items, inventory) or legally required to remain intact	N/A — external constraint	\$382,801
Restricted	Constrained by external parties (creditors, grantors, laws, regulations) for a specific purpose	N/A — external constraint	\$35,918,125
Committed	Constrained by formal City Council action for a specific purpose, it can only be changed by the same level of action	City Council Resolution	\$728,715
Assigned	Intended for a specific purpose by the City Council or the Mayor's delegation; less formal than committed	Mayor or City Council	\$0 (see Section 4)
Unassigned	Residual fund balance in the General Fund, the only governmental fund that can report a positive unassigned balance	General Fund only	\$15,941,707

### 2.1 Spending Order Policy

When multiple classifications of fund balance are available for the same purpose, expenditures shall be charged to fund balance classifications in the following order:

1. Restricted — Use restricted resources before all others when the expenditure qualifies.
2. Committed — use committed resources before assigned or unassigned;
3. Assigned — use assigned resources before unassigned; and
4. Unassigned — use only after all other applicable classifications have been exhausted.

This spending order policy ensures that the most flexible resources are preserved the longest, maintaining maximum financial flexibility for the City.

## **2.2 Authority to Commit Fund Balance**

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The City Council is the highest level of decision-making authority for the City of Irondale. Only the City Council, acting by formal resolution adopted at a duly noticed public meeting, may commit fund balance to a specific purpose. A commitment remains binding until removed or modified by an equal or higher level of formal Council action.

## **2.3 Authority to Assign Fund Balance**

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The City Council hereby delegates to the City Treasurer the authority to assign fund balances for specific purposes that do not rise to the level requiring a Council commitment. All assignments shall be documented in writing.

### 3 GENERAL FUND RESERVE TARGETS & THRESHOLDS

The General Fund is the City's primary operating fund and the most critical measure of financial health. The City establishes the following reserve levels, each with a defined purpose, calculation basis, and response obligation.

Reserve Level	Target	FY2025 Amount	Status
<b>FLOOR — Minimum Reserve</b>	16.7% of total General Fund revenues (2 months of operating capacity)	~\$6.6M (16.7% of \$39.9M)	✓ Met — Current balance \$15.9M
<b>TARGET — Optimal Reserve</b>	25.0% of total General Fund revenues (3 months of operating capacity)	~\$9.97M (25.0% of \$39.9M)	✓ Met — Current balance \$15.9M
<b>CEILING — Maximum Reserve</b>	41.7% of total General Fund revenues (5 months of operating capacity)	~\$16.6M (41.7% of \$39.9M)	✓ At ceiling — \$15.9M

#### 3.1 Floor Reserve — Minimum Required Balance

The City shall maintain an unassigned General Fund balance of not less than 16.7% of total annual General Fund revenues (approximately two months of operating capacity) at all times. This minimum is consistent with the GFOA recommended minimum and represents the absolute floor below which the City's reserve position is considered inadequate.

**Calculation:** Floor = Total General Fund Revenues × 16.7%

**FY2025 Floor:** \$39,918,000 × 16.7% = approximately \$6,666,000

If the unassigned fund balance falls below the Floor at any fiscal year-end, the City Council shall be notified within 30 days and a Restoration Plan shall be presented as required by Section 5 of this Policy.

#### 3.2 Target Reserve — Optimal Operating Balance

The City's long-term target for the unassigned General Fund balance is 25.0% of total annual General Fund revenues (approximately three months of operating capacity). This Target reflects the City's revenue concentration risk — with sales and use tax comprising approximately 49.2% of total governmental revenues — and the need to maintain an adequate cushion against a single-quarter revenue shortfall.

**Calculation:** Target = Total General Fund Revenues × 25.0%

**FY2025 Target:** \$39,918,000 × 25.0% = approximately \$9,980,000

The Target represents the fund balance level the City strives to maintain under normal operating conditions. Budget decisions shall be made to maintain the unassigned fund balance at or above the Target.

### 3.3 Ceiling Reserve — Maximum Unassigned Balance

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The City shall not accumulate an unassigned General Fund balance exceeding 41.7% of total annual General Fund revenues (approximately five months of operating capacity) without City Council action. Amounts above the Ceiling represent resources that exceed prudent reserve levels and should be formally designated for specific purposes that serve the City's long-term strategic interests.

**Calculation:** Ceiling = Total General Fund Revenues × 41.7%

**FY2025 Ceiling:** \$39,918,000 × 41.7% = approximately \$16,645,000

When the unassigned fund balance exceeds the Ceiling at fiscal year-end, the City Council shall be presented with a recommended designation plan within 90 days. The City Council shall act on the designation plan by resolution within 180 days of the fiscal year-end.

## 4 STRATEGIC FUND BALANCE DESIGNATIONS

Amounts above the Target Reserve but within the Ceiling may be designated by City Council resolution for specific long-term strategic purposes. The City recognizes the following priority designations, listed in the order in which excess reserves should be allocated:

Priority	Designation	Purpose	Recommended Funding Level
1st	Capital Stabilization Reserve	Emergency capital repair and replacement; bridge funding for capital projects pending grant reimbursement; protection against capital project cost overruns	\$2,000,000 – \$3,000,000
2nd	Water Fund Stabilization Reserve	Support Water Enterprise Fund operational gap during rate restructuring transition; reduce General Fund transfer dependency.	Up to \$1,500,000
3rd	Economic Development Reserve	Bridge funding for economic development initiatives, infrastructure required to support major commercial developments, and the Billion Dollar Vision program obligations	Up to \$2,000,000
4th	Debt Service Reserve Supplement	Supplemental reserve for PBA debt service obligations to reduce exposure during revenue volatility periods	Up to \$1,000,000
5th	Revenue Stabilization Reserve	Counter-cyclical buffer funded during revenue growth years; available to prevent service cuts during revenue downturns	Up to 10% of annual revenues (~\$4,000,000)

### 4.1 Capital Stabilization Reserve — Operating Rules

The Capital Stabilization Reserve is the City's first strategic priority because it directly prevents emergency capital expenditures — like the \$750,000 Water Fund emergency main repair in FY2025 — from distorting operating fund performance.

- **Allowable uses:** Emergency capital repairs exceeding \$100,000; capital project cost overruns approved by City Council; bridge funding pending confirmed grant reimbursement.
- **Prohibited uses:** Recurring operating expenditures; personnel costs; debt service (except as emergency bridge); any expenditure below \$100,000.
- **Authorization:** All draws require Mayor recommendation and City Council resolution.
- **Replenishment:** Any draw on this reserve must be replenished within two fiscal years through budget appropriation.
- **Annual contribution:** The budget should include an annual contribution target of 1.5% of the City's total capital asset base (approximately \$1.35 million annually based on FY2025 asset values of \$89.7 million).

### 4.2 Water Fund Stabilization Reserve — Operating Rules

The Water Fund Stabilization Reserve recognizes that the Water Enterprise Fund is undergoing a rate restructuring effective April 2026 and requires temporary General Fund support during the transition to operational self-sufficiency. This reserve formalizes and limits that support.

- **Purpose:** To fund General Fund transfers to the Water Enterprise Fund during the rate transition period, expected to conclude no later than FY2028.
- **Sunset provision:** This designation shall be reviewed annually. The City Council shall determine by FY2028 whether the Water Fund has achieved operational self-sufficiency. At this point, this designation shall be dissolved, and the remaining balance returned to unassigned or redesignated.
- **Maximum transfers:** Annual General Fund transfers to the Water Fund shall not exceed the designated reserve balance. Once the designation is exhausted, additional transfers require a new City Council resolution and a finding that the Water Fund rate structure cannot be further adjusted in the near term.

## 5 RESERVE REPLENISHMENT & RESTORATION REQUIREMENTS

### 5.1 Triggering Events

A Restoration Plan is required whenever any of the following conditions occur:

1. The unassigned General Fund balance at fiscal year-end falls below the Floor (16.7% of revenues);
2. The unassigned General Fund balance declines by more than 15% in a single fiscal year due to unanticipated conditions, regardless of whether the Floor has been breached. Planned, Council-approved deficits reflected in the adopted Five-Year Financial Forecast do not constitute a triggering event under this provision; or
3. Any strategic designation established under Section 4 is drawn below 50% of its designated level.

### 5.2 Restoration Plan Requirements

Upon a triggering event, the Mayor shall present a Restoration Plan to the City Council within 30 days. The Restoration Plan shall include:

- The cause of the reserve decline or draw, with quantification of the financial impact;
- A proposed timeline for restoring the affected balance to its required or target level;
- Specific budget actions (revenue increases, expenditure reductions, or reserve transfers) that will fund the restoration;
- Identification of any one-time factors that will not recur in future periods; and
- A monitoring plan with quarterly progress reports to the City Council until restoration is complete.

### 5.3 Restoration Timeline Standards

Triggering Condition	Restoration Target	Maximum Timeline
Balance below Floor (16.7%)	Restore to the floor minimum	3 fiscal years
Balance below Target (25.0%)	Restore to Target	5 fiscal years
Single-year decline > 15%	Arrest decline; present plan (does not apply to adopted forecast deficits)	1 fiscal year to present plan
Capital Reserve draw	Restore to the designated level	2 fiscal years
Water Fund Reserve draw	Review and redesignate	Annual review

### 5.4 Replenishment Priority

When the City generates operating surpluses in any fiscal year, available surplus funds shall be allocated in the following priority order before any other discretionary use:

1. Restore any reserve below its Floor to the Floor level;
2. Restore any Capital Stabilization Reserve draw to the designated level;
3. Restore the General Fund balance to the Target level if below Target;
4. Fund Priority 1 through Priority 3 strategic designations if unfunded;
5. Address any remaining structural budget imbalances; and
6. Remaining surplus available for one-time capital or strategic purposes by Council action.

## 6 REPORTING, MONITORING & ANNUAL REVIEW

### 6.1 Monthly Monitoring

The Accountant shall monitor fund balance levels on a monthly basis through the City's financial management system (Incode). The following reports shall be generated and reviewed monthly:

- **Fund Balance Report:** Current unassigned fund balance compared to Floor, Target, and Ceiling thresholds, with year-over-year comparison and year-end projection.
- **Revenue vs. Budget:** Monthly and year-to-date revenues by major category versus budget, with variance analysis for any category exceeding 10% unfavorable variance.
- **Expenditure vs. Budget:** Monthly and year-to-date expenditures by department versus budget, with explanation required for any department exceeding 5% over budget year-to-date.
- **Strategic Designation Status:** Current balance of each designated reserve compared to its authorized level.

### 6.2 Quarterly Reporting to City Council

The Accountant shall prepare a quarterly financial report for the Mayor to present to the City Council covering the following items as they relate to this Policy:

- Current unassigned fund balance and percentage of revenues, with comparison to prior quarter and prior year;
- Status of all strategic reserve designations;
- Revenue trend analysis — highlighting any category showing more than two consecutive quarters of decline;
- Water Enterprise Fund operating ratio and General Fund transfer year-to-date;
- Any triggering events under Section 5.1 and the status of any active Restoration Plan; and
- Year-end fund balance projection based on current run rates.

### 6.3 Annual Policy Review

This Policy shall be reviewed annually following the close of each fiscal year, no later than December 31. The annual review shall assess:

- Whether the Floor, Target, and Ceiling thresholds remain appropriate given changes in revenues, expenditure levels, and risk profile;
- Whether the strategic designation priorities and funding levels in Section 4 should be adjusted;
- Whether the Water Fund Stabilization Reserve sunset provisions remain on track;
- Compliance with GFOA best practices, including any GFOA guidance updates issued during the year; and
- Any changes in Alabama law or bond covenants that affect fund balance requirements.

The annual review findings shall be presented to the City Council no later than January 31st of the following year, with recommended amendments, if any.

### 6.4 S&P and Bond Rating Agency Reporting

This Policy shall be provided to Standard & Poor's and any other rating agencies reviewing the City's credit upon request. The City's annual Comprehensive Financial Report (or Annual Comprehensive Financial Report upon GFOA certification) shall reference this Policy and report the City's compliance with reserve targets for the fiscal year covered.

*S&P's USPF criteria explicitly credit formal written fund balance policies as a management positive. The existence of this Policy — and the City's demonstrated compliance with it — supports the City's AA rating and positions Irondale for potential rating improvement as reserves and the Water Fund mature.*

## 7 BUDGET PROCESS INTEGRATION

### 7.1 Annual Budget Preparation

This Policy shall be integrated into the City's annual budget process as follows:

1. **Budget Kickoff (June):** The Mayor shall present the current fund balance position, the projected year-end balance, and reserve target compliance status to City Council as part of the budget kickoff presentation.
2. **Budget Proposal (August):** The proposed annual budget shall include an explicit fund balance projection showing projected beginning balance, projected revenues, projected expenditures, and projected ending balance compared to Floor, Target, and Ceiling.
3. **Budget Adoption (September):** The City Council shall adopt the budget only after reviewing and accepting the fund balance projection. A budget that projects the ending unassigned fund balance below the Floor shall not be adopted without a concurrent Restoration Plan.
4. **Budget Amendments:** Any mid-year budget amendment that would reduce the projected year-end fund balance below the Target shall be accompanied by a fund balance impact analysis prepared by the Accountant and the Mayor's recommendation before City Council action.

### 7.2 Prohibition on Structural Deficit Budgeting

The City shall not adopt an annual budget that relies on fund balance draws to fund recurring operating expenditures. Specifically:

- The City shall not use unassigned fund balance to fund personnel salaries, benefits, or other recurring operational costs in consecutive fiscal years.
- One-time use of fund balance for non-recurring capital expenditures or one-time initiatives is permitted, provided the resulting projected year-end balance remains above the Floor.
- Any proposed use of unassigned fund balance in the budget shall be explicitly identified as a fund balance draw in the budget document and in the budget presentation to City Council.

### 7.3 Revenue Windfall Protocol

When actual revenues exceed budgeted revenues by more than 5% in any fiscal year (a "Revenue Windfall"), the Mayor shall present the City Council with a Windfall Allocation Recommendation within 90 days of fiscal year-end. The allocation shall follow the replenishment priority order in Section 5.4 before any portion is allocated to new programs or expenditures. This protocol ensures that windfall revenues strengthen the City's long-term financial position rather than creating structural expenditure commitments that outlast the revenue surge.

### 7.4 Annual Compliance Dashboard

The Annual Compliance Dashboard template (as shown in Appendix A) shall be completed on an annual basis as a part of the City's fiscal year-end financial close. It shall be presented to the City Council no later than December 31st.

## 8 DEFINITIONS

**Assigned Fund Balance.** Fund balance that the City intends to use for a specific purpose, as expressed by the City Council or the Mayor. The assigned fund balance is less constrained than the committed fund balance.

**Ceiling Reserve.** The maximum unassigned General Fund balance threshold established by this Policy is set at 41.7% of total annual General Fund revenues. Balances above the Ceiling require City Council designation.

**Committed Fund Balance.** Fund balance constrained by formal City Council action (resolution) for a specific purpose. It can only be removed or changed by the same level of action.

**Floor Reserve.** The minimum unassigned General Fund balance required by this Policy is set at 16.7% of total annual General Fund revenues (two months of operating capacity). A breach triggers mandatory Restoration Plan requirements.

**Fund Balance.** The net position of a governmental fund — total fund assets and deferred outflows of resources minus total fund liabilities and deferred inflows of resources — is reported under the modified accrual basis of accounting.

**GASB.** The Governmental Accounting Standards Board is the independent standard-setting body for governmental accounting and financial reporting in the United States.

**GFOA.** Government Finance Officers Association, a professional organization whose best practices and Certificate of Achievement for Excellence in Financial Reporting program establish standards for governmental financial management.

**Nonspendable Fund Balance.** Fund balance not in spendable form (inventories, prepaid items) or legally required to remain intact. Not subject to this Policy.

**Restoration Plan.** A formal plan presented by the Mayor to the City Council following a triggering event under Section 5.1, describing the cause of reserve decline and specific steps for restoring the reserve to required levels.

**Restricted Fund Balance.** Fund balance constrained by external parties (creditors, grantors, laws, constitutional provisions) for specific purposes. Not subject to this Policy.

**Revenue Windfall.** A fiscal year in which actual General Fund revenues exceed budgeted revenues by more than 5%, triggering the Windfall Allocation Recommendation process under Section 7.3.

**Target Reserve.** The optimal unassigned General Fund balance established by this Policy is set at 25.0% of total annual General Fund revenues (three months of operating capacity).

**Unassigned Fund Balance.** The residual classification of fund balance in the General Fund after all other classifications have been applied. Only the General Fund reports a positive unassigned fund balance under GASB Statement No. 54.

## 9 EXCEPTIONS, AMENDMENTS & ADOPTION

### 9.1 Exceptions

Exceptions to this Policy may only be granted by the City Council acting by formal resolution. Any resolution granting an exception shall:

- Identify the specific provision(s) of this Policy from which an exception is sought;
- State the reason(s) for the exception and the specific extraordinary circumstances that justify departure from this Policy;
- Specify the time period during which the exception applies; and
- Include a plan for returning to compliance with this Policy upon expiration of the exception period.

### 9.2 Policy Amendments

This Policy may be amended only by City Council resolution adopted at a duly noticed public meeting. Proposed amendments shall be presented to the City Council with a written analysis prepared by the Mayor addressing: (1) the reason for the proposed amendment; (2) the financial impact of the amendment; and (3) whether the amendment remains consistent with GASB Statement No. 54 and GFOA best practices.

### 9.3 Relationship to Other Policies

This Policy supplements and does not replace the following fiscal management frameworks and policies:

- The City's Annual Budget Ordinance and budget policies;
- Any debt management policy adopted by the City;
- Any capital improvement program and capital project authorization procedures adopted by the City;
- Any water enterprise fund rate policy and enterprise fund operating guidelines adopted by the City; and
- Alabama statutory requirements governing municipal finance.

In the event of a conflict between this Policy and any of the above, the more restrictive provision shall govern unless otherwise resolved by City Council action.

**A APPENDIX A — ANNUAL COMPLIANCE DASHBOARD SAMPLE TEMPLATE**

Metric	Policy Requirement	FY2025 Actual	Compliance
Unassigned General Fund Balance	At or above Floor (16.7%)	\$15,941,707 (39.9%)	✓ COMPLIANT
Floor Reserve Test	>= 16.7% of revenues	\$15.9M vs. \$6.7M min.	✓ COMPLIANT
Target Reserve Test	>= 25.0% of revenues	\$15.9M vs. \$10.0M target	✓ COMPLIANT
Ceiling Test	<= 41.7% of revenues	\$15.9M vs. \$16.6M ceiling	✓ COMPLIANT
Capital Stabilization Reserve	\$2M - \$3M designated	Not yet designated	■ PENDING COUNCIL ACTION
Water Fund Stabilization Reserve	Up to \$1.5M designated	Not yet designated	■ PENDING COUNCIL ACTION
Water Fund Transfer (Gen Fund)	Declining toward \$0 by FY2028	\$1,170,076 net in FY2025	■ MONITOR — rate review underway
Fund Balance Policy Adoption	Adopted by Council resolution	This document	■ PENDING ADOPTION
Annual Policy Review Completed	By December 31 annually	First year — N/A	N/A
S&P Rating Maintained	AA or higher	AA	✓ COMPLIANT