

RESOLUTION  
12 - R - 67

A RESOLUTION TO FORMALLY ADOPT POLICY GOVERNING  
THE CITY'S STABILIZATION FUND AND TO FORMALLY COMMIT  
FUND BALANCES TO THE STABILIZATION FUND IN ACCORDANCE  
WITH GASB STATEMENT NO. 54.

WHEREAS, the City of Waukegan (hereinafter "the City") is a home-rule unit of government pursuant to Section 6(a), Article VII of the 1970 Illinois Constitution; and

WHEREAS, the City of Waukegan recognizes the importance of maintaining adequate cash reserves to stabilize the City's budget, address unanticipated revenue shortfalls, and to respond to emergency situations; and

WHEREAS, the City of Waukegan issued long-term bonds in 2009 for the purpose of providing working cash during a period of reduced liquidity and structural deficits; and

WHEREAS, the City of Waukegan wishes to comply with the Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*; and

WHEREAS, only the City Council has the authority to commit funds to the Stabilization Fund and establish policy regarding maintenance of the Fund.

NOW, THEREFORE, BE IT RESOLVED that the City Council adopts the Stabilization Fund Policy as presented and commits fund balances to the Stabilization Fund as specified in the Policy.

  
MAYOR ROBERT G. SABONIAN

ATTEST:

  
WAYNE MOTLEY, City Clerk

Presented and read at a regular meeting of the Waukegan City Council on the 20th day of August, 2012.

Passed and approved at a regular meeting of the Waukegan City Council on the 20th day of August, 2012.

ROLL CALL: Aldermen Beadling, Newsome, TenPas, May, Valko, Rivera, Cunningham,  
and Moisió

AYES: Aldermen Beadling, Newsome, TenPas, May, Valko, Rivera, Cunningham,  
and Moisió

NAYS: None

ABSENT: Alderman Koncan

ABSTAIN: None

**CITY OF WAUKEGAN  
STABILIZATION FUND POLICY  
AUGUST 20, 2012**

- I. **Authority.** The Waukegan City Council has the authority to establish a Stabilization Fund and has exercised this authority by the passage of a Resolution.
- II. **General.** Maintaining a Stabilization Fund to provide for working cash, meet unexpected revenue shortfalls, and/or address financial emergencies is a necessity for sound financial management and fiscal accountability.
- III. **Level to Maintain.** The Stabilization Fund will be reviewed annually during the budget process. The City's goal is to maintain a Stabilization Fund at an amount equal to no less than 8% of the General Fund's annual appropriated expenditures.
- IV. **Uses of the Fund.** The Stabilization Fund is used as a "bridge" to ensure stable cash flow and provide service continuity, as a funding mechanism to address long-term capital investment, or as a tool to reduce long-term debt and liabilities.
  - a. Temporary loans to other City funds may be made at the discretion of the Director of Finance & Administration in consultation with the City Treasurer for the following purposes:
    - i. To address projected cash shortfalls related to the anticipated receipt of grant funding, tax receipts or claim settlements, or
    - ii. To mitigate damage caused by a natural disaster, or
    - iii. To address an urgent event that jeopardizes the safety of the public.
    - iv. The Director of Finance & Administration will report balances and projected repayment timeframe of these temporary loans to the City's Finance Committee on a monthly basis.
  - b. Permanent withdrawals from the Stabilization Fund from balances in excess of the minimum balance requirement will be made only by appropriation of the City Council for the following purposes:
    - i. Repair and replacement of capital projects with short useful lives which are not appropriate for long-term bond financing, or
    - ii. Used as the City "match" for one-time grants associated with infrastructure improvements, economic development, or other projects which provide a positive return-on-investment to the City, or
    - iii. Reducing the City's liabilities related to long-term bonded debt, employer pension obligations, or other post-employment benefit obligations.
  - c. In order to comply with GASB Statement No. 54 the intra-fund loans outstanding with a low likelihood of repayment as of April 30, 2012 will be "forgiven" and those due-to / due-from balances recognized, one-time, as a permanent transfer from the "Working Cash Fund" as follows:
    - i. General Fund 100 a one-time transfer of \$4,936,000; and, Safety & Risk Fund 660 a one-time transfer of \$6,852,000.
  - d. Prohibited Use. Stabilization Funds will not be used to compensate for structural budget deficits.
- V. **Replenishment of the Fund.** The City desires to have a well-developed and transparent strategy for maintaining adequate levels of funds to mitigate risk, provide a back-up for revenue shortfalls, and improve the City's bond rating; therefore,
  - a. Non-recurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and having a defensible rationale) may be allocated to the Stabilization Fund during the annual budget process in excess of the minimum balance requirement.
  - b. Should the Stabilization Fund balance drop below the minimum balance requirement, notification will be given to the City's Finance Committee. Replenishment of the Fund should take place in a prompt fashion and will be resolved by either implementing a new, recurring source of revenue or a reduction in expenditure levels.