

**City of Clawson, MI  
Policy and Procedure**

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| <b>NUMBER:</b> PP-9                 | <u>          </u> Administrative |
| <b>DATE:</b> June 6, 2006           | <u>  X  </u> Approved by Council |
| <b>ISSUED BY:</b> City Manager      |                                  |
| <b>SUBJECT:</b> Fund Balance Policy |                                  |

The City of Clawson recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance. After evaluating the City's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the City establishes the following goals regarding the Undesignated Fund Balance of the General Fund for the City of Clawson, Michigan.

The level of fund balance that the City strives to maintain as undesignated is an amount equal to 10% of the City's General Fund Budget.

Once the City achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including, without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by utilizing excess fund balances for capital improvements, the City will reduce the need to incur long-term debt and will avoid creating an operating funding gap for subsequent fiscal years.

This policy has been adopted by the City to recognize the financial importance of a stable and sufficient level of the Undesignated Fund Balance. However, the City, reserves the right to appropriate funds from the Undesignated Fund Balance for emergencies and other requirements the City believes to be in the best interest of the City.