MEMORANDUM

TO: Mayor and Town Council

FROM: Mark E. Biberdorf, Town Manager

COPY TO: Heather Taylor, Assistant Town Manager

DATE: January 23, 2026

SUBJECT: Recommendations for Surplus Unassigned Fund Balance

Fund Balance Policy

Several years ago, the Town established a fund balance policy. The purpose of this policy is to determine what is the appropriate amount of reserves or fund balance to maintain for cash flow purposes and unforeseen events such as a major storm. The Town's policy states that we shall maintain an unassigned fund balance between 45% and 65% as a percentage of general fund expenditure. A full copy of the Town's fund balance policy is attached for Council's reference.

An important part of implementing the Town's fund balance policy is taking appropriate steps to keep reserves within the designated range of 45% - 65%. At the conclusion of the most recent audit, our unassigned fund balance was determined to be 75.37% or $6,855,709. Once the fund balance exceeds 65% Council is supposed to identify eligible steps to move it back within the allowed range. Examples of actions that Council can take to lower the fund balance are the following:

1. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs, or
2. Start-up expenditures for new programs, provided that such action is approved by the Town Council and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Town Manager and Finance Director, or
3. Appropriated to lower the amount of outstanding principal on existing debt, or
4. Lowering the property tax rate.

Recommendations for Excess Fund Balance

With fund balance reserves reaching 75.37% as a percentage of general fund expenditure, the Town would need to spend over $943,000 to get the fund balance down to 65%. Also, this is the upper range of the policy so the Town could spend additional funds and still retain a comfortable number of reserves.

Some different options for spending down these excess reserves would be the following:

- **Sewer Project on Westfield Road, North Hudson Lane, and Dogwood Terrace** – This was a project that was previously submitted for funding through a State Revolving Funds application with the Department of Environmental Quality (DEQ). Total estimated cost for this project is $1.4 million.

- **Greenway Extension** – Funding could be used to construct another section of the Cane Creek Greenway along the Town of Fletcher property, or possibly the Cummins (Meritor) property.

- **Pay Down Principal on Existing Debt** – The Town currently has two USDA Community Facility Loans for the Town Hall project. The Town also has an installment purchase loan on the purchase of the Town Center property along Highway 25.

I will be prepared to discuss these options in greater detail with you at the Council meeting. If you should have any questions prior to the meeting, please do not hesitate to let me know.

MEB/meb

Attachment