https://finance.archuletacounty.gov/introduction/financial-policies/

Section 3: Fund Reserves and Contingencies

a. **TABOR Reserve:** The TABOR amendment to the State Constitution requires the County to establish and maintain an emergency reserve fund of 3% of all covered funds. The reserve cannot be used for economic conditions, revenue shortfalls or salary and benefit increases. Any use of the TABOR reserve must be replaced within one year. Because of the constitutional restrictions and the requirement to repay this reserve by the end of the next fiscal year, use of the TABOR reserve is limited to extreme situations.

b. **General Fund "Working Capital Reserve"**: County policy permits the use of "available fund balances" in balancing the budget. However, an amount of General Fund balance, equal to three (3) months of budgeted General Fund operating expenditures, shall not be utilized to balance the budget, but shall instead be treated as a "working capital reserve". This reserve is intended to insure the availability of cash to cover monthly expenses in excess of monthly revenues, as occur seasonally within a calendar year.

c. **General Fund "Strategic Reserve":** County policy permits the use of "available fund balances" in balancing the budget. However, an amount of General Fund balance, equal to four (4) months of budgeted General Fund operating expenditures, shall be committed as a "strategic reserve". This reserve shall only be utilized under special conditions and with special approval, as follows: During the budget process, if revenues are projected to decline, and/or inflation or other factors drive expenses up in such a way that meeting the Committed Fund Balance Reserve target is not possible without disruption of services or creating significant hardship, then the County Manager may propose the appropriation of some part of the Strategic Reserve, to mitigate the anticipated disruption and hardship. Final commitment of strategic reserves to meet operational, capital or debt expenditures shall require authorization from the Board of County Commissioners. This may continue for any number of budget cycles, as long as the conditions causing the hardship continue. However, only the Strategic Reserve may be appropriated for this form of budget relief. During periods when it is proposed that the Strategic Reserves be appropriated, the County Budget Officer shall provide a plan which includes the steps necessary to ensure meeting on-going expenditures with reliable anticipated revenues. When the Strategic Reserve has been fully consumed, future budgets must be balanced without consuming any part of the Working Capital Reserve, or by misapplication of any non-spendable, restricted or assigned parts of the General Fund balance. When conditions permit, the Strategic Reserve shall be restored by budgeting expenses lower than anticipated revenue, until it is again fully funded.

d. **General Fund "Unassigned Fund Balances":** Unassigned fund balances are the net portion of the total fund balance which has not been classified as "Nonspendable", "Restricted", "Committed", or "Assigned"; and they are available for appropriation at the discretion of the Board of County Commissioners, during the annual budget process. The Board recognizes that unassigned fund balances are created by prior year surpluses that may or may not materialize in future years. Therefore, they will make every effort to focus the appropriation of these undesignated funds toward non-recurring, non-operational expenditures (such as Capital Improvements) and not toward expansion of the General Fund operating budget.

e. **Contingency Line Items:** To provide budget flexibility for unanticipated expenditure during the year, one or more contingency line items may be added to the budget of each fund, in accordance with state law and County policy.