

**RESOLUTION NO. 19  
SERIES 2025**

**A RESOLUTION OF THE CRESTED BUTTE TOWN COUNCIL  
ADOPTING THE FUND BALANCE RESERVE POLICY, EFFECTIVE  
AUGUST 5, 2025.**

**WHEREAS**, the Town of Crested Butte, Colorado (the **"Town"**) is a home rule municipality duly and regularly organized and now validly existing as a body corporate and politic under and by virtue of the Constitution and laws of the State of Colorado;

**WHEREAS**, the Town recognizes and generally follows guidance from the Government Finance Officers Association regarding fund balance reserves;

**WHEREAS**, the Town of Crested Butte, Colorado Town Council (the **"Council"**) has previously directed Town staff to retain certain values of a fund balance in reserve for some future purpose; and

**WHEREAS**, the Council has agreed to approve a new, "Fund Balance Reserve Policy" (the **"Policy"**) and revoking all prior directives to staff related to a fund balance reserve requirements.

**NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CRESTED BUTTE, COLORADO, THAT:**

**Section 1.** The Town Council hereby finds that approving the Policy, attached hereto as **Exhibit "A,"** demonstrates the Town's ongoing dedication to being good stewards of public funds and continues its commitment to sound fiscal management.

**Section 2.** The Council directs Town staff to prepare specific reserves by fund during the annual budget cycle, as defined by the Policy.

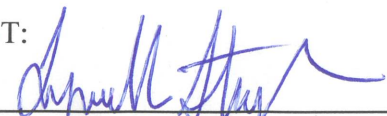
INTRODUCED, READ AND ADOPTED BEFORE THE TOWN COUNCIL THIS 5TH DAY OF AUGUST 2025.

TOWN OF CRESTED BUTTE, COLORADO

  
\_\_\_\_\_  
Ian Billick, Mayor

(SEAL)

ATTEST:

  
\_\_\_\_\_  
Lynelle Stanford, Town Clerk

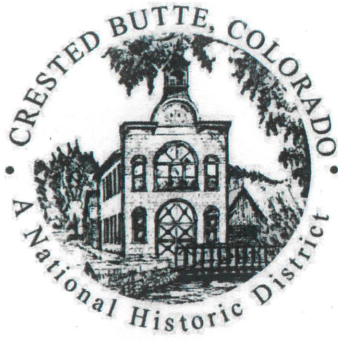


**EXHIBIT "A"**

**Fund Balance Reserve Policy**

[attach approved Policy here]

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## FUND BALANCE RESERVE POLICY

### Background

The Town of Crested Butte uses an accounting structure consisting of nine funds for different aspects of its operations, each with varying needs and risks that influence the amount of fund balance needed for responsible fiscal management. The purpose of this Policy is to define the fund balance reserve level to be held in each fund. Adequate reserve levels are a necessary component of the Town's overall financial management strategy and a key indicator of the Town's financial health. It is essential that governments have a level of savings sufficient for operating cash flow, to provide a backup for revenue shortfalls, to mitigate against uncontrollable costs and a variety of other current and future risks to help ensure stable rates for taxpayers and ratepayers. Fund balance levels are a crucial consideration in long-term financial planning.

This Policy also recognizes that, while positive fund balances provide the Town Council with the ability to respond to and safeguard from uncertainty and risk, excessive fund balances could be used for additional services, accelerate capital replacement and improvement or even result in a reduction of taxes or fees. The Government Finance Officers Association (GFOA) recommends the establishment of a formal policy on the level of fund balance that should be maintained in the General Fund and encourages the adoption of similar policies for all funds. Specifically, the GFOA recommends 2 months of operating expenses as a fund balance reserve for the General Fund and 3 months operating expenses as a fund balance reserve in the Enterprise Fund.

### Fund Balance Reserve

The terms 'fund balance' and 'fund balance reserve' are not interchangeable. A fund balance is the net result of all revenues less all expenses since the establishment of the fund. A fund balance reserve is the portion of a fund balance to either not be spent or held for some future purpose.

Crested Butte elects to establish a Fund Balance Reserve as a strategic portion of each fund's fund balance to mitigate future economic uncertainty. The Fund Balance Reserve by Fund shall be clearly identified in the annual budget adoption process and will not be included as an expense line item in the annual budget. Any use of the Fund Balance Reserve during a fiscal year after budget adoption shall require the Town Council's approval of a formal budget adjustment/amendment. The Fund Balance Reserve for each fund may change annually based upon Town Council approval. The Fund Balance Reserve shall be in addition to any statutory (e.g., TABOR), regulatory and/or contractual reserve requirement within a Fund.

### Differentiation of Fund Balance Reserves

Crested Butte uses sound judgement in defining individual Fund Balance Reserves for each Fund. A single Fund Balance Reserve across all funds does not take into account the operational and/or capital nature of the Fund nor its revenue volatility. Operating funds are used to pay for daily operations such as Marshals' service, recreation classes and delivery of potable water. Capital funds are used to pay for major investments, such as facility restoration, vehicle replacements and treatment plant construction. These two types of expense categories require vastly different reserve requirements. Additionally, general sales tax revenue economics differ greatly from property tax and/or utility billing revenue streams. Given these factors, Crested Butte chooses to differentiate Fund Balance Reserve requirements by Fund.

In general, Crested Butte elects to maintain 75% of the prior fiscal year's annual operating expenses (9 months), including reoccurring operating transfers and debt service, as a minimum Fund Balance Reserve in each Fund. Additionally, the Town generally seeks to maintain at least one year of depreciation of capital assets as a minimum Fund Balance Reserve for capital-intensive funds.

### **Fund Balance Reserve Requirements, by Fund**

General Fund. The General Fund shall have a Fund Balance Reserve equal to 75% of the prior fiscal year's annual operating expenses, including reoccurring operating transfers.

Capital Fund. The Capital Fund shall have a Fund Balance Reserve, calculated as follows: 75% of the prior fiscal year's annual operating expenses for the Facilities Division, including reoccurring operating transfers; plus, the amount of annual depreciation booked in the Fund for the prior fiscal year. This level of Fund Balance Reserve allows the remaining fund balance to be available for periodic large capital projects, as approved by the Council during budget adoption.

Open Space Fund. The Open Space Fund shall have a Fund Balance Reserve equal to 75% of the prior fiscal year's annual operating expenses. This level of Fund Balance Reserve allows the remaining fund balance to be available for land and/or easement acquisitions when they arise and are approved by the Council.

Parks, Recreation & Trails Fund. The Parks, Recreation & Trails Fund shall have a Fund Balance Reserve equal to 75% of the prior fiscal year's annual operating expenses.

Conservation Trust Fund. The Conservation Trust Fund shall not have a Fund Balance Reserve, however, the Town will grow the necessary fund balance in order to fund future projects.

Streets and Alleys Fund. The Streets and Alleys Fund shall have a Fund Balance Reserve equal to 25% of the prior fiscal year's annual operating expenses. The Street and Alleys Fund is primarily funded by property taxes, which has a low volatility in revenue received year over year. This low volatility allows for a reduced Fund Balance Reserve requirement to meet ongoing operational needs. Additionally, this Fund is intended to grow in order to meet funding requirements of the 5-year major street improvement cycle.

Affordable Housing Fund. The Affordable Housing Fund shall have a Fund Balance Reserve equal to 50% of the prior fiscal year's annual operating expenses (including debt service) plus

the annual depreciation expense booked into the Fund. Rental revenue makes up approximately 30% of the Fund's revenues, which is less volatile than vacation rental tax. This low volatility allows for a reduced Fund Balance Reserve requirement.

Transit and Mobility Fund. The Transit and Mobility Fund shall not have a Fund Balance Reserve since there are minimal discretionary expenses aside from the contractual requirement with Mountain Express, which is conditioned to revenues received.

Utility Enterprise Fund. The Utility Enterprise Fund shall have a Fund Balance Reserve equal to 25% of the prior fiscal year's annual operating expenses (including debt service), plus the amount of annual depreciation booked in this Fund for the prior fiscal year. This Reserve is in addition to the necessary 3-month operations and maintenance reserve for Water and Wastewater required by the Town's debt issuers.

### **Allowable Use of Fund Balance and Fund Balance Reserves**

The Town Council has the ultimate decision in establishing Fund Balance Reserve requirements. From a Policy perspective, the Town Manager will provide the Town Council with an annual recommendation as to the Fund Balance Reserve requirements, by Fund. The Town Manager will also recommend to the Town Council potential uses of available fund balance above the Fund Balance Reserve and any other statutory, regulatory and/or contractual reserve requirements.

As described in the introduction of this policy, Fund Balance Reserves are established for a variety of reasons as a safeguard from certain types of financial risks and to provide stability for our constituents. Therefore, the occurrence of one or more of the factors from which the Fund Balance Reserves are intended to insulate the Town would justify their use. Fund Balance Reserves should not be used to fund normal operations.

Unrestricted, Fund Balance Reserves could be used for operating needs should one or more of the situations described in this policy occur:

- Unexpected revenue shortfall
- One-time expenditures outside the scope of normal on-going operations
- Unusual operating cash flow needs, such as pending collection of a large grant receivable (ie. timing difference between accrual based and cash-based accounting)

The Fund Balance Reserve for any Fund may be drawn upon on recommendation of Staff with Council approval to compensate for an expected shortfall. A minimum Fund Balance Reserve of twenty five percent (25%) of annual appropriated expenditures must remain at all times where a Fund Balance Reserve is required. Staff's recommendation to draw upon the Fund Balance Reserve must include a replenishment schedule to begin within twelve months of the draw and result in full replenishment of the reserve requirement within thirty-six months of the draw. Staff shall review all planned expenditures to identify potential cost savings and purchases/projects that can be deferred without serious adverse implications prior to recommending use of a Fund's Fund Balance Reserve.

### **Replenishment**

Should a Fund Balance Reserve balance fall below the required level, the following guidance shall be followed to replenish the balance. As a financial management priority, it shall be the Town's intent to replenish fund balances equal to or greater than the Fund Balance Reserve as soon as economic conditions allow, generally within one to three years.

Any non-recurring revenues or budget surpluses may be used to replenish Fund Balance Reserves. In addition, operating expenditures should be controlled and capital projects may need to be deferred to replenish Fund Balance Reserves.

### **Advisory Nature of Policy**

The criteria established within this policy are advisory only. Nothing shall affect the authority and duty of the Town Manager with respect to budget recommendations. Further, nothing therein shall be construed to limit or modify the authority and duty of the Town Council to approve annual budgets in its sole and absolute discretion in future fiscal years.

### Approvals:

Date	Name	Resolution #
8/5/2025	Town Council	2025-19

### Revision History:

Version	Date Revised	Reason for Change