**Fiscal Facts: Healthier city fund reserves could cushion the blow of COVID-19**

*By Wisconsin Policy Forum*

In the years preceding the coronavirus pandemic, a healthy economy allowed Wisconsin’s cities and villages to build up balances in their core funds. That’s good news, as such balances often are used to make debt payments, address pressing capital needs, limit short-term borrowing, or strengthen reserves to address unexpected revenue shortfalls or spending needs, such as those associated with COVID-19.

End-of-year fund balances for the 541 Wisconsin cities and villages that consistently report such figures rose 24% from 2013 to 2018, state Department of Revenue data shows. The increase, from $2.79 billion in 2013 to $3.46 billion in 2018, more than tripled the rate of inflation over those years and was enough to modestly boost the balances as a share of the municipalities’ annual spending on operations.

A municipality’s fund balance, however, should not be seen merely as cash on hand — it instead represents a fund’s assets minus its liabilities on a given date. Significant proportions of these balances may not be available to offset new costs or lost revenues stemming from the coronavirus and its related economic impacts.

Individual financial statements for the state’s 10 largest cities may give a better sense of the actual funds available to potentially ease the pain of the current pandemic. From 2014 to 2018, six grew their unassigned general fund balance. Total unassigned general funds dropped from $185.1 million in 2014 to $177.8 million in 2018, a decline of 4%. This drop is mainly attributable to a 64% decline in Milwaukee’s unassigned balance, which topped $50 million in 2014 but declined to just over $18 million in 2018 amid significant fiscal challenges.

Nevertheless, it is encouraging that municipalities generally have built up their fund balances. Those communities that have had both the financial advantages and the foresight to build their unassigned fund balances, in particular, likely are better equipped to navigate the uncertain times ahead. At the same time, many will also need to preserve some of their reserves for a prolonged recession or other unexpected future challenges.

*This information is provided to Wisconsin Newspaper Association members as a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at wispolicyforum.org.*