



STAFF REPORT

TO: Mayor Keis and Members of City Council
FROM: Brenda Malinowski, Finance Director
DATE: March 23, 2022
RE: 2021 General Fund-Fund Balance

ACTION REQUESTED:

Approve a transfer from the General Fund to the General Capital Improvements Fund in the amount of \$900,000 or another amount effective 12/31/2021, per the City's Fund Balance Policy.

BACKGROUND:

Per the City's Fund Balance Policy, the City will strive to maintain an **unassigned minimum fund balance** in the General Fund in the range 42.5% to 65% of the subsequent year's budget expenditures. If the unassigned fund balance rises above the desired range; excess funds will be transferred to the General Capital Improvements Fund.

The General Capital Improvements Fund is used to accounts for general capital improvements including building maintenance and repairs, public works equipment, park improvements, and EAB removal and replacement. Currently, the primary source of funding for this fund is 80% of LGA (currently 347,000 per year) that the City receives each year and periodic transfers from the General Fund. There is approximately \$1.2 million in expenditures in this fund per year over the next five years.

DISCUSSION:

The General Fund Balance Component Schedule is attached for review.

2021 Ending Fund Balance for General Fund

The Fund Balance for the General Fund is allocated into three components; Nonspendable, Assigned, and Unassigned.

1. Nonspendable Fund Balance

This component of fund balance for amounts that cannot be spent because they are in a nonspendable form. These are prepaid expenses and interfund loans. As of the end the year, these amounts total \$503,889.

2. Assigned Fund Balance

Assigned fund balance are for amounts that are set aside for particular purposes. Council has designated the authority to assign fund balance for specified purposes to the City Administrator and/or Finance Director.

Assigned fund balance has been calculated as follows:

Description	Amount
Building department efficiencies not completed in 2021	\$38,500
Building inspection services	\$20,000
Fuel costs	\$10,000
Total	\$68,500

3. Unassigned Fund Balance

Unassigned Fund Balance is the fund balance after subtracting the nonspendable fund balance items and the assigned fund balance items. The unassigned fund balance has increased from 38% at the end of 2017 to 80% at the end of 2021. A transfer out is needed to lower the unassigned fund balance in accordance with the City’s Fund Balance Policy. The effect on unassigned fund balance based on the following transfers is as follows:

Transfer Out Amount	Percent of Unassigned Fund Balance
\$900,000	59.75%
\$1,000,000	57.50%
\$1,100,000	55.21%
\$1,200,000	52.93%
\$1,300,000	50.66%
\$1,400,000	48.39%

Since it was anticipated that a transfer would be possible at year-end, a \$900,000 transfer was included when preparing both the Budget and CIP last fall.

ACTION REQUESTED:

Approve a transfer from the General Fund to the General Capital Improvements Fund in the amount of \$900,000 or another amount effective 12/31/2021, per the City’s Fund Balance Policy.

General Fund Balance

	2021 before transfer	2020	2019	2018	2017
Beginning Fund Balance	\$ 4,057,898.00	\$ 3,121,470.00	\$ 2,719,171.00	\$ 2,533,003.00	\$ 2,832,516.00
Revenues	4,088,982.00	4,193,327.00	4,273,666.00	3,893,006.00	3,745,330.00
CARES Act	-	782,484.00	-	-	-
Expenditures	<u>4,045,016.00</u>	<u>4,039,383.00</u>	<u>3,871,367.00</u>	<u>3,706,838.00</u>	<u>4,044,843.00</u> *
Net Increase(Decrease)	43,966.00	936,428.00	402,299.00	186,168.00	(299,513.00)
Ending Fund Balance	<u>\$ 4,101,864.00</u>	<u>\$ 4,057,898.00</u>	<u>\$ 3,121,470.00</u>	<u>\$ 2,719,171.00</u>	<u>\$ 2,533,003.00</u>

*Includes transfer to General Capital Improvements Fund for \$496,472

Components of Fund Balance	2021	2020	2019	2018	2017
Nonspendable Fund Balance					
Prepays	\$ 6,904.00	\$ 2,380.64	\$ 10,807.00	\$ 8,768.71	\$ 8,388.72
IFL-105 EDA Fund	56,871.30	54,712.74	205,123.00	102,806.00	-
IFL-460 TIF 5-1 St Judes	-	-	-	-	372,569.00
IFL-362 Canabury Square	-	-	-	-	52,424.00
IFL-463					
IFL-470 TIF 6-1 Masterpiece Homes	<u>440,114.44</u>	<u>499,306.04</u>	<u>556,055.00</u>	<u>615,218.40</u>	<u>665,040.71</u>
Nonspendable Fund Balance	<u>503,889.74</u>	<u>556,399.42</u>	<u>771,985.00</u>	<u>726,793.11</u>	<u>1,098,422.43</u>
Assigned Fund Balance					
Building Permitting Efficiencies	38,500.00	38,500.00	78,870.00	-	-
Building Inspection Services	20,000.00	-	-	-	-
Fuel costs	10,000.00	-	-	-	-
Rental housing inspections	-	20,000.00	-	-	-
Planning code update	-	22,500.00	-	-	-
COVID-19 Budget Impacts	-	-	60,000.00	-	-
Sheriff's Reimbursement	-	90,983.00	-	-	-
COVID-19 Unknown Expenses	-	647,500.00	-	-	-
Assigned Fund Balance	<u>68,500.00</u>	<u>819,483.00</u>	<u>138,870.00</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balance	<u>3,529,474.26</u>	<u>2,682,015.58</u>	<u>2,210,615.00</u>	<u>1,992,377.89</u>	<u>1,434,580.57</u>
Total Fund Balance	<u><u>\$ 4,101,864.00</u></u>	<u><u>\$ 4,057,898.00</u></u>	<u><u>\$ 3,121,470.00</u></u>	<u><u>\$ 2,719,171.00</u></u>	<u><u>\$ 2,533,003.00</u></u>
Subsequent Year's Budget	\$ 4,400,790.00	\$ 4,220,372.00	\$ 4,134,837.00	\$ 3,911,617.00	\$ 3,804,276.00
Unassigned FB as % of Next Year's Budget	80.20%	63.55%	53.46%	50.93%	37.71%