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ELYSIAN BUDGET & FINANCE ADVISORY COMMITTEE

December 27, 2011

City Hall

The meeting convened at 1:00 pm. Members present: Wayne Unke, Katy Anttila, John Hoeft. Absent: John Stephanie, Pat Nusbaum

The committee reviewed year-to-date Water & Sewer income and expenses through December 27, 2011 and budgeted amounts for 2012. It was agreed to recommend to the City Council a decrease of no more than \$1.00 per 1,000 gallons for water service. An increase of no more than \$.50 per 1,000 gallons of sewer service is recommended.

Meeting adjourned at 2:30 pm.

**CITY OF ELYSIAN**  
**GASB 54**  
**Fund Balance Policy**

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**PURPOSE**

The purpose of this policy is to establish specific guidelines the City of Elysian will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other governmental aids are received in the second half of the City's fiscal year.

The purpose of this policy is to also establish specific guidelines the City of Elysian will use to classify fund balances into categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts of these funds can be spent.

**CLASSIFICATION OF FUND BALANCE/PROCEDURES**

- **Non-spendable** – This category includes fund balance that cannot be spent because it is either not in spendable form, or is legally or contractually required to be maintained intact. Examples include inventories and pre-paid amounts.
- **Restricted** – Fund balance should be reported as restricted when constraints placed on those resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Examples may include unspent bond or grant proceeds and accumulated debt service funds.
- **Committed** – Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts. Examples may include contractual commitments that will be satisfied with existing fund balance, amounts transferred to a capital project fund for a specific purpose, or internal "savings/reserves" for a specific purpose such as a fire rescue vehicle.
  - The City's highest level of decision making authority (City Council) will annually, or as deemed necessary, commit specific revenue sources for specified purposes by resolution. The formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint may be determined in the subsequent period.
  - To remove the constraint on specified use of committed resources, the City Council shall pass a resolution removing the constraint.
- **Assigned** – Fund balances that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund includes amounts that are intended to be used for specific purposes.

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- Constraints may be imposed by the City Council or delegated to other officials of the City. Delegations should be made by Council resolution.
- **Unassigned** – Unassigned fund balance represents the residual classification for the General Fund. It includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.
  - i. The City will maintain an unrestricted fund balance in the General Fund of an amount between 35% and 50% of the next year's budgeted General Fund expenditures. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs, because major revenues, including property taxes and other government aids are typically received in the second half of the year.
  - ii. If spending unrestricted fund balance in designated circumstances has reduced the amount of unrestricted fund balance to a point below the minimum targeted level noted above, the Council will develop an appropriate plan to restore the fund balance.

### **ENTERPRISE FUND EQUITY**

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the City intends the cost of providing goods or services to the public be financed or recovered primarily through user charges. The City's enterprise funds include the Water, Sewer and Refuse funds.

It is the City's intent to cover all operating expenses through user charges to eliminate the impact on taxpayers. User charges will be reviewed annually to ensure adequate rates are charged for the services provided. A detailed rate analysis will be conducted annually.

Enterprise funds' equity will be classified in one of the following categories:

- **Investment in Capital Assets, Net of Related Debt.** The component of net assets which is the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of the capital assets.
- **Restricted.** The component of net assets which is the difference in assets and liabilities of proprietary funds that consist of assets with constraints placed on their use by either external parties (i.e., creditors or grantors) or through constitutional provisions or enabling legislation.
- **Unrestricted.** The difference between the assets and liabilities of proprietary funds that is not reported as Investment in Capital Assets, Net of Related Debt or Restricted net assets.

The City Council will not establish a minimum required level for equity in proprietary funds other than the funds should cover their own operating and non-operating costs.

### **STABILIZATION ARRANGEMENTS**

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

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The City will set aside amounts by resolution as deemed necessary, which can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

**MONITORING AND REPORTING**

The City Administrator/Treasurer shall annually be responsible for the preparation of the status of fund balances in relation to this policy and present to the City Council in conjunction with the development of the annual budget. Classification of funds will be determined by year-end, but actual dollar amounts may be determined after year-end accounting is completed.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to first use committed resources, then assigned, and then use unassigned resources as they are needed.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General Fund.

Adopted by the Elysian City Council \_\_\_\_\_, 2011.

Attest:

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Patricia Nusbaum, City Administrator

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Kathleen Anttila, Mayor

**Budget & Finance Advisory Committee**  
Elysian City Council

<b>Reports to:</b>	City Council
<b>Mission Statement:</b>	<p>The Budget &amp; Finance Advisory Committee was created for the purpose of advising the City Council on matters concerning:</p> <p>The general fiscal, financial, and investment operations of the City;          Funding and tax impact issues related to the City’s Capital Improvement Plan;          Policy matters related to City finances, borrowings, and investments; and          Such other matters as are periodically identified by the City Council and assigned to the Committee.</p>
<b>General Functions:</b>	<p>The purpose of the Financial Advisory Committee is to assist the City Council in the fiscal responsibility and tax impact issues of the City of Elysian.</p>
<b>Objectives and Goals</b>	<p><u>Objectives are broad statements that define the scope of the Committee’s work.</u></p> <p>Provide general insight into the City’s finances          Facilitate coordination between capital needs and operating budgets          Keep the public informed about future economic needs and concerns</p> <p><u>Goals are specific targeted outcomes with a definitive deadline (usually annual)</u></p> <p>Review Capital Improvement Plan – proposed projects, funding, &amp; timeline;          Develop and maintain a Debt Policy with related procedures;          Develop and maintain an Investment Policy with related procedures;          Research grants and other funding sources, including user fees, loans, etc.;          Annual Budget and related impact on property taxes, etc.;          Analyze impact of proposed Assessments and Assessment Policy;          Analyze utility rates annually</p>
<b>GOAL: Assess the City of Elysian’s Financial Capacity</b>	<p>Keep the tax rate stable          Balance debt service and operating expenditures          Determine available debt capacity and acceptable debt service levels          Maximize intergovernmental aid for capital expenditures</p>

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<b>Members:</b>	Three members at large shall be appointed by the mayor and approved by the City Council to serve staggered 3-year terms. Reappointment after a one-year absence is permissible. Two members of the City Council shall be appointed by the mayor and approved by the City Council to serve an annual term. The City Clerk/Administrator shall serve as an ex-officio member. Members shall serve until their successors have been appointed by the City Council and qualified.
<b>Qualifications:</b>	All members shall reside in the City of Elysian, unless special approval is granted by the City Council. Except for the City Clerk/Administrator, no person shall be appointed to this body who is employed by the City.
<b>Meetings:</b>	<p>The Budget &amp; Finance Advisory Committee will meet at least once a quarter, or more frequently, as needed, in order to carry out the general functions of this body. Meetings may be called by the Chairperson of the Committee or by a majority of its members. Any regular meeting may be adjourned to a time and place certain, but not beyond the next regular meeting.</p> <p>Typical Meeting Date: Typical Meeting Time: Typical Meeting Location: City Hall</p>
<b>Quorum:</b>	A simple majority of this body constitutes a quorum for the purposes of conducting a meeting. The decision of this body regarding any matter brought before it shall be by a majority vote of the members present.
<b>Officers:</b>	This Committee shall not elect officers. The members of this Committee shall designate one of their members to chair meetings and direct the performance of the functions for this Committee. One member, or a representative from City Staff, shall record the minutes for all meetings.
<b>Decision-Making Authority:</b>	The Budget & Finance Advisory Committee does not have any decision-making authority unless the City Council designates such authority for a specific issue or topic. The Committee makes recommendations to the City Council which makes the final decision.
<b>Community Involvement:</b>	Members of this body are encouraged to solicit feedback from members of the Elysian community that relate to the activities of this body. Whenever possible, this body is encouraged to recruit volunteers from the Elysian community to assist with various projects.
<b>Compensation:</b>	Members are nonpaid volunteers.

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