



“...meeting community needs...enhancing quality of life.”

**TO:** Finance Committee

**FROM:** Jake Woodford, Mayor  
Jeri Ohman, Finance Director

**DATE:** August 22, 2022

**RE:** General Fund Balance Policy

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The City has a general fund balance that states:

*At least 75% of general fund balance in excess of the reserve policy (currently three months operating expenditures) be used for the reduction of long-term liabilities. Utilization of the remaining funds are subject to recommendation from the Finance Committee to be used for additional reduction of long-term liabilities or general fund expenditures with final Council approval.*

Each year upon the conclusion of the annual audit, the general fund balance is reviewed to determine if such excess funds are available. The audit report, presented to the Finance Committee on July 11, 2022, noted an unadjusted general fund balance of \$5,273,273 in excess of the City's reserve policy at December 31, 2021.

December 31, 2021

|                                                                              |                     |
|------------------------------------------------------------------------------|---------------------|
| General Fund Balance in excess of reserve policy per audit                   | \$ 5,273,273        |
| Less: Amounts from 2020 Excess Fund Balance held (Council approved 3/17/22): |                     |
| Website redesign                                                             | \$ (100,000)        |
| Pedestrian safety                                                            | \$ (225,000)        |
| Technology upgrades                                                          | <u>\$ (150,000)</u> |
| Adjusted fund balance applicable to reserve policy                           | <u>\$ 4,798,273</u> |

Reasons for the Excess

It is unusual to have this large of an excess at year end. There were a couple major factors that contributed to the excess. First, four of the City's TIF Districts are paying back advances (loans) that the general fund made in prior years. As the advances are paid back, this adds available cash to the general fund balance. The result of these TIF advance repayments in 2021 was a \$4,000,000 increase in the unassigned general fund balance.

Second, federal CARES and ARPA funding for COVID-19 relief expenses also played a significant role in generating the surplus. Approximately \$560,000 of these grant funds were able to be used to pay for public health and public safety personnel costs which replaced the budgeted general fund spending.

#### Application of the Policy

Applying the policy to the adjusted excess fund balance results in approximately \$3,598,705 (75%) being designated to be used to reduce long-term liabilities and \$1,199,568 (25%) subject to the recommendation of the Finance Committee.

Per discussion with staff, we are respectfully requesting the Finance Committee's approval to allocate \$1,175,000 as follows:

|           |                                                                                                                                                                                                                                                                                                                                 |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$20,000  | <i>Aerial Imaging for GIS – Cover the city's portion of aerial photography costs in partnership with Outagamie County to update the GIS imagery to the present day.</i>                                                                                                                                                         |
| \$130,000 | <i>College Ave. Traffic Safety – Appropriates funds for the Traffic Section of DPW, in partnership with Community and Economic Development, Police Department, and Appleton Downtown Inc. to plan, design, and pilot/implement interventions aimed at improving the safety and multi-modal functionality of College Avenue.</i> |
| \$50,000  | <i>ARA Business Enhancement Grants – Renews funding for the ongoing Appleton Redevelopment Authority citywide business enhancement grant program.</i>                                                                                                                                                                           |
| \$150,000 | <i>Emerald Ash Borer (EAB) Mitigation – Appropriates funds jointly to Forestry Section of DPW and the Parks, Recreation and Facilities Management Department for the purpose of EAB remediation, prioritizing Vosters Park, followed by a prioritized list of projects to be developed by staff.</i>                            |
| \$550,000 | <i>Information Technology Updates &amp; Security – Funds Migration of Munis System to Tyler Technologies services. Any remaining funds in this allocation will be directed to areas of greatest need within Information Technology as determined by staff.</i>                                                                  |
| \$275,000 | <i>Current Year Operating Reserve – Holds funds aside for current year needs to mitigate the effects of high inflation. Unspent balance at the end of the year will either be carried forward to maintain additional cash reserves or recommended for other purposes.</i>                                                       |

Director Ohman will work with the City's financial advisor to determine the most cost-effective use of the remaining \$3,623,273 slated for debt reduction (either call any eligible existing debt or reduce the 2023 borrowing package).

If you have any questions on these requests, feel free to reach out to either Mayor Woodford or Director Ohman. Thank you for your consideration.