



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

TO: Finance Committee
FROM: Mayor Jacob A. Woodford
Tony Saucerman, Finance Director
DATE: July 12, 2021
RE: General Fund Balance Policy

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 June 21, 2021 noted an unadjusted general fund balance of \$7,011,075 in excess of the City’s reserve policy at December 31, 2020.

December 31, 2020

General Fund Balance in excess of reserve policy per audit	\$ 7,011,075
Less: Unrealized investment gains included in fund balance:	
For the year ended 12/31/20	\$(1,078,901)
For the year ended 12/31/19	<u>\$ (814,017)</u>
Adjusted fund balance applicable to reserve policy	<u>\$ 5,118,157</u>

Reasons for the Excess

It is unusual to have this large of an excess at year end. There were a few major factors that contributed to the excess. First, three 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 2020 was a \$1,660,000 increase in the unassigned general fund balance.

Second, federal CARES funding for COVID-19 relief expenses also played a significant role in generating the surplus. Approximately \$1.3 million of these grant funds were able to be used pay to for public health and public safety personnel costs which replaced the budgeted general fund spending.

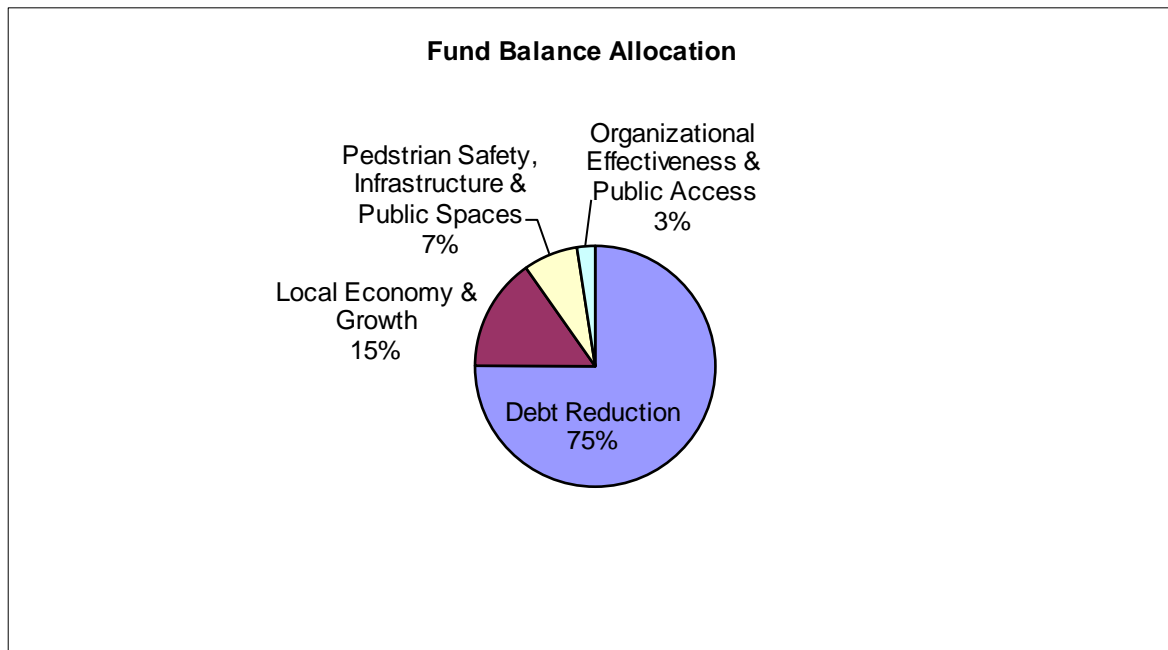
Third, overall health care claims costs and expenses were down in 2020 which generated approximately \$850,000 in savings to the general fund.

Finally, on the revenue side, the City received approximately \$850,000 of grant funds from FEMA and the State of Wisconsin in 2020 as reimbursement for storm damage cleanup costs from storms in prior years. This revenue was not included in the 2020 Budget since the approved amount and timing for receiving these funds were unknown, and extremely difficult to predict, at the time of budget preparation.

Application of the Policy

Applying the policy to the adjusted excess fund balance results in approximately \$3,840,000 (75%) being designated to be used to reduce long-term liabilities and \$1,275,000 (25%) subject to the recommendation of the Finance Committee.

Per discussion with staff, we are respectfully requesting the Finance Committee’s approval to allocate the excess fund balance as follows:



Debt Reduction	\$3,840,000
Local Economy & Growth	
Brand Study	\$ 50,000
Brand Study Implementation	\$ 450,000
Industrial Park Land Acquisition	\$ 250,000
Total Local Economy & Growth	\$ 750,000
Pedestrian Safety, Infrastructure Maintenance & Public Spaces	
Enhanced Crosswalks	\$ 100,000
Green Dot Sidewalk Program	\$ 75,000
Parks – Jones Park Shade & Acoustical Improvements	\$ 200,000
Total Pedestrian Safety, Infrastructure Maint. & Public Spaces	\$ 375,000

Organizational Effectiveness & Public Access	
Council Chambers AV Upgrades	\$ 65,000
Council Chambers Hearing Loop	\$ 10,000
Economic Development Study	\$ 25,000
Data Analyst Fellow	\$ 50,000
Total Organizational Effectiveness & Public Access	\$ 150,000
Total General Fund Allocation	\$5,115,000

Director Saucerman will work with the City's financial advisor to determine the most cost-effective use of the remaining \$3,840,000 slated for debt reduction (either call any eligible existing debt or reduce the 2022 borrowing package).

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