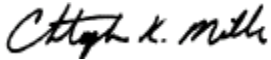


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 04/10/17
Item No.: 7.a

Department Approval

City Manager Approval




Item Description: Update on the 2016 Budget Surplus/Deficit for Key Operating Funds

BACKGROUND

During previous budget-related discussions, the City Council requested a summary of the annual budget surplus (deficit) for the City’s key operating funds that provide for day-to-day operations. More specifically, the Council was concerned with *unrestricted* carry-over monies that could be used as a future funding source.

The following table shows the 2016 budget surplus (deficit), cash balance, and cash balance target reserve amounts for the City’s key *unrestricted* operating funds.

	2016	12/31/2016	Less	12/31/2016			
	Surplus	Cash	Amount	Adjusted	Reserve	Target	Target
Fund	(Deficit)	Reserves	For CIP **	Reserves	Level	Low	High
General (unrestricted)	\$ 1,184,623	\$ 6,646,077	\$ -	\$ 6,646,077	45%	35%	45%
Parks & Recreation	354,215	1,637,111	-	1,637,111	35%	25%	25%
Communications	(32,737)	436,616	(93,000)	343,616	66%	10%	25%
Information Technology	196,700	1,041,002	(382,000)	659,002	29%	10%	25%
License Center	(70,977)	1,172,926	(1,130,000)	42,926	2%	10%	25%
	\$ 1,631,824	\$10,933,732	\$ (1,605,000)	\$ 9,328,732			

** Where applicable, the amount needed for the CIP represents the net capital expenditures for the fund over the next five years.

The Council is reminded that that while the General Fund realized an operating surplus of nearly \$1.2 million in 2016, it was largely due to the one-time \$1.1 million collection in surplus monies from a recent TIF district decertification. The surplus TIF monies were temporarily deposited in the General Fund pending a final determination by the Council on its use. Outside of these one-time monies, the General Fund realized a surplus of \$84,623.

In previous discussions, City Staff recommended that \$300,000 of this TIF surplus be deposited into the Street Replacement Fund to pay for public improvements near the Snelling/Lydia/Lincoln Drive area with the remainder to be deposited in the Building Replacement Fund. However, since making this recommendation the City’s Engineering Staff has revised the figure needed to pay for the public improvements noted above to \$400,000.

26 If the Council transfers the full \$1.1 million in surplus TIF monies to fulfill other purposes, the General
27 Fund's cash reserve level would drop from the 45% shown in the table, to 38% - its lowest level since
28 2009. The Council is also advised to consider that the 2017 Adopted Budget calls for the spend-down of
29 approximately \$800,000 in General Fund cash reserves, although given the personnel vacancies we've
30 had so far this year, the reduction is likely to be less.

31
32 Given these concerns, it is advised that we leave at least \$200,000 of the \$1.1 million TIF surplus in the
33 General Fund to ensure that reserve levels stay above the 35% floor going into 2018. If we take this
34 approach, it would still allow for up to \$500,000 to be transferred to the Building Replacement Fund to
35 address the unfunded portion of the 2017 and 2018 CIP scheduled replacements.

36
37 A summary of the City's capital replacement fund(s) reserves will be provided in conjunction with the
38 presentation of the 2018-2037 CIP in May.

39 **POLICY OBJECTIVE**

40 Not applicable.

41 **FINANCIAL IMPACTS**

42 Not applicable.

43 **STAFF RECOMMENDATION**

44 See above.

45 **REQUESTED COUNCIL ACTION**

46 For information purposes only. No formal Council action is requested at this time.

47

Prepared by: Chris Miller, Finance Director

Attachments: A: Not applicable.

48