

REPORT / RECOMMENDATION



To: MAYOR AND COUNCIL

Agenda Item #: IV. J.

From: John Wallin, Finance Director

Action

Discussion

Date: August 20, 2013

Information

Subject: Allocation of 2012 General Fund Unassigned Fund Balance

Action Requested:

Approve proposal to allocate the 2012 General Fund Unassigned Fund Balance

Information / Background:

The City ended 2012 with a General Fund unassigned fund balance of \$1,697,872. The City Fund Balance Policy states that it is the policy of the City that, to the extent possible, such excess funds will be transferred to the Construction Fund to support capital improvements and equipment. The fund balance policy also states that available fund balances shall not be used for ongoing operating expenditures.

The 2013-2017 Capital Improvement Plan funding for 2013 and 2014 projects was based on \$800,000 in transfers of this unassigned balance to the Construction Fund.

The Golf Course continues to build its cash deficit with the negative balance of \$1,728,000 as of June 30. The bond raters Moody's and Standard and Poor's will not look on this favorability especially on top of new debt proposed this fall.

The Ice Arena was hit with two issues which affected its cash balance in 2012. The first was the ice making equipment went down requiring approximately \$300,000 in emergency repairs. The second issue was certain cost overruns with the Hive project led to an additional \$300,000 cost. The Arena Fund as of June 30 has a cash deficit of \$686,000.

The equipment replacement program funding was reduced by approximately \$300,000 per year in 2008 as part of the budget reduction at the time. Because of the reduction in the annual funding and inflationary increases the amount needed to fund the equipment replacement program and the expected actual costs to replace equipment is leaving a growing shortage that will within the next couple of years eliminate the balance in the fund needed to replace many pieces of equipment. The longer equipment is on the road the higher the cost to maintain it resulting in an increase in general fund expenditures.

Recommendation Allocations

Transfer to Construction Fund for 2013-2014 CIP Projects	\$797,872
Transfer to Arena Fund for unplanned expenses in 2012	\$300,000
Transfer to Golf Course Fund to start stabilizing fund deficit	\$300,000
Transfer to Equipment Replacement Program	\$300,000