

CITY OF EXCELSIOR, MINNESOTA
FUND BALANCE POLICY
Adopted November 21, 2011
Amended May 6, 2019

I. PURPOSE

The purpose of this policy is to establish specific guidelines the City of Excelsior, Minnesota will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs. In establishing an appropriate fund balance, the City needs to consider the ability to manage fluctuations of major revenue sources, long-term financial health as well as the ability to moderate fluctuations in tax levies and user fees.

The purpose of this policy is to establish specific guidelines the City of Excelsior, Minnesota 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 government 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 Excelsior, Minnesota 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 in these funds can be spent.

II. CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Nonspendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventories and prepaid amounts.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation.

3. 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.
- 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. This 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.

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes but are neither restricted nor committed
- The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Manager.

5. 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 is the only fund that reports a positive unassigned fund balance amount.

III. FUND-SPECIFIC GUIDELINES

General Fund

i. The City will maintain an unrestricted fund balance in the General Fund of an amount not less than 40%, as the "minimum target balance," of the next year's budgeted expenditures of the General Fund. 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 received in the second half of the City's fiscal year.

ii. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be reviewed by the City Manager and a recommendation will be brought forward to the City Council. The City Council will review the sufficiency of the "minimum target balance" balance annually.

iii. The amount of General Fund Balance greater than the "minimum target balance" is considered excess fund balance and may be transferred to a fund, or funds, as determined by the City Council. Because excess fund balance is considered a one-time source (non-recurring), excess balances may be used to:

- Build and/or improve fund balance levels in accordance with the goals established in the Long-Term Financial Plan.
- Provide tax levy or user fee stabilization
- Aid in the transition through an anticipated budget change (loss of revenue or change in service levels)
- Reduce debt levels, or reduce future debt levies

- Support one-time expenditures that do not increase operating costs (giving priority to one-time expenditures that reduce future operating costs).

Special Revenue Fund

- i. The fund balance remaining in Special Revenue Fund at the end of the fiscal year is allocated to the programs and services supported by the fund, and is to remain within the fund until such time as the City Council authorizes the transfer of available balances to a fund, or funds, as determined and approved by the City Council.
- ii. Working capital goals and targets for Special Revenue funds are established as part of the Long-Term Financial Plan.

Debt Funds

- i. The fund balance remaining within Debt Service Funds at the end of the fiscal year is allocated for the payment of principal, interest and debt related fees until the associated debt is paid in full. The fund balance remaining after retirement of debt shall be transferred to a fund, or funds, as determined and approved by the City Council.

Capital Project Funds

- i. The fund balance remaining within Capital Project Funds at the end of the fiscal year is allocated to the purpose for which the fund was created (for instance specific project or type of project), and is to be retained within the fund until such time as the City Council authorizes the transfer of available balances to a fund, or funds, as determined and approved by the City Council.

Enterprise Funds

Utility Funds

- i. The fund balance remaining within Water, Sewer, Street Lights, Solid Waste and Surface Water Management Service Funds at the end of the fiscal year is allocated for the purpose for which the fund was created, and is to remain within the fund until such time as the City Council authorizes the transfer of available balances to a fund, or funds, as determined and approved by the City Council.

Working capital goals and targets for Enterprise funds are established as part of the Long-Term Financial Plan.

Commercial Dock Fund

- i. On or before December 31st of each fiscal year, the Finance Officer shall transfer \$100,000 from the Commercial Dock Fund Unrestricted Net Position to the Park

Improvement Fund. The annual transfer revenue shall remain in Park Improvement Committed Fund Balance and may only be used on capital project or debt service expenditures related to the Commons Master Park Plan capital projects.

i. The fund balance remaining within the Commercial Dock Fund at the end of the fiscal year is allocated for the purpose for which the fund was created, and is to remain within the fund until such time as the City Council authorizes the transfer of available balances to a fund, or funds, as determined and approved by the City Council.

Working capital goals and targets for the Commercial Dock fund is established as part of the Long-Term Financial Plan.

IV. MONITORING AND REPORTING

The City Manager shall annually prepare 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.

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 use resources in the following order; 1.) committed 2.) assigned and 3.) unassigned.