



## **MAYOR & COUNCIL COMMUNICATION**

**DATE:** December 20, 2016  
**REGULAR**  
**ITEM #27**  
**MOTION**

**AGENDA ITEM:** 2016 Year End Recommendation Related to Excess General Fund Balance

**SUBMITTED BY:** Cathy Bendel, Finance Director

**THROUGH:** Cathy Bendel, Finance Director

**REVIEWED BY:** Kristina Handt, City Administrator

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### **SUGGESTED ORDER OF BUSINESS:**

- Introduction of Item ..... City Administrator
- Report/Presentation.....City Administrator
- Questions from Council to Staff ..... Mayor Facilitates
- Call for Motion ..... Mayor & City Council
- Discussion ..... Mayor & City Council
- Action on Motion..... Mayor Facilitates

**POLICY RECOMMENDER:** Finance Committee

**SUMMARY AND ACTION REQUESTED:** A recommendation is being brought forward from the Finance Committee to transfer \$200,000 from the General Fund Reserves to a Legal Reserve Fund in the amount of \$200,000.

**BACKGROUND INFORMATION:** The 2016 projected year results are anticipated to be \$400-450k better than budgeted.

\$250k of this is due to the current Building Official having the certifications necessary to do state inspections for the ISD 916 new school project. This generated \$250k in permit fees that were not budgeted as the prior Building Official did not have these certifications.

The remaining excess is a result of some new building and planning department fees initiated in 2016, as well as diligent management of expenses to the budget by all departments.

**STAFF REPORT:** At the Finance Committee meeting on December 13, 2016, there was a discussion surrounding the projected excess fund balance for 2016 and its possible uses. During the 2017 budget process, the Finance Committee discussed potentially setting up a legal reserve to cover the increased insurance deductible.

The Finance Committee was clear they do not believe in “Contingency Funds”. However, there was discussion about a specific length of time and an end date for the fund to ensure the funds would be used or returned to the general fund reserves. Once in a fund, those funds are considered “restricted” and can only be used for the specific purpose of the fund.

**RECOMMENDATION:** The Finance Committee is recommending setting up a new “Legal Reserve Fund” effective 1/1/2017. It was specifically recommended that all deductible payments by the City would be charged to this fund. This fund will be reviewed in November each year as to whether the funds need to be replenished and if so to what balance, or discontinued and transfer the funds back to the General Fund Reserve.

**“Motion to adopt Resolution #2016-112 setting up a new Legal Reserve Fund effective January 1, 2017 in the amount of \$200,000 to be used specifically to pay any insurance deductible payouts”**

**ATTACHMENTS:**

1. Resolution #2016-112

**CITY OF LAKE ELMO  
WASHINGTON COUNTY  
STATE OF MINNESOTA**

**RESOLUTION 2016-112**

**RESOLUTION AUTHORIZING INITIALIZATION OF A NEW LEGAL RESERVE  
FUND**

WHEREAS, the insurance deductible for the City of Lake Elmo has been increased to \$200,000;

WHEREAS, the increased deductible is for a time uncertain;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELMO, MINNESOTA, THAT:

1. The City of Lake Elmo will set up a new Legal Reserve Fund of \$200,000 effective January 1, 2017.
2. The Legal Reserve Fund will be reviewed in November of each year in order to determine whether the funds need to be replenished, and if so to what balance, or discontinued and transfer the funds back to the General Fund Reserve for the following year.
3. The Finance Committee will review and make a recommendation to the City Council each year.

**ADOPTED BY THE LAKE ELMO CITY COUNCIL ON THE 20th DAY OF  
DECEMBER, 2016.**

By: \_\_\_\_\_  
Mike Pearson  
Mayor

(Seal)

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Julie Johnson, City Clerk