



STAFF REPORT

DATE: July 20, 2021

CONSENT

AGENDA ITEM: Transfer from the General Fund to the Village Area Fund

TO: Mayor and City Council

SUBMITTED BY: Samuel Magureanu, Finance Director

BACKGROUND:

In 2008 the City of Lake Elmo ordered an alternative urban area wide review (AUAR) of the Lake Elmo Village area. The AUAR process allowed the City to assess the impact of potential development on the area's natural resources prior to receiving and considering individual development proposals for approval. The City intention was to recover the costs associated with the review by allocating the expenses across development within the Village area via a fee based on new Residential Equivalency Connection (REC) units. The fee was supposed to be applied to all development applications that will increase the number of Residential Equivalency Connection (REC) units above existing conditions within the Village Area AUAR study area.

The City created fund 413 Village Area in order to track the activity relating to the Village area study. Majority of the activity processed in this fund related to expenditures only, since prior to 2014 no AUAR fee has been established that would allow the City to recover its costs associated with the AUAR study. Once the AUR fee was adopted the City collected and tracked the revenues generated in the General Fund rather than the Village Area fund. Overtime this resulted in a fund deficit in the Village Area fund.

ISSUE BEFORE COUNCIL:

Should Council direct City staff to transfer \$378,736.48 from the General Fund to the Village Fund to fund the deficit and close the fund?

PROPOSAL:

Included in your packet is a resolution to authorize City staff to transfer funds from the General Fund in the amount of \$378,736.48 to fund the deficit in the Village Area Fund and close the fund.

FISCAL IMPACT:

The transfer will result in a reallocation of the AUAR revenues collected in the General Fund and will offset the fund deficit in the Village Area Fund. Overall the transfer will result in a decrease in fund balance in the General Fund and will increase the fund balance in the Village are a fund to zero to allow the fund to be closed. After the Village are a fund will be closed the City will continue to collect AUAR revenues in the General Fund.

OPTIONS:

- 1) Approve Resolution No 2021-079
- 2) Amend and then Approve Resolution No 2021-079
- 3) Don not authorize the fund transfer

RECOMMENDATION:

Motion to approve Resolution No 2021-079

ATTACHMENTS:

- Resolution No 2021-079

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

RESOLUTION NO. 2021-079

***A RESOLUTION APPROVING A \$378,736.48 PERMANENT FUND
TRANSFER FROM THE GENERAL FUND TO THE VILLAGE FUND TO
FUND DEFICIT AND CLOSE FUND***

WHEREAS, the City of Lake Elmo is organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues and expenditures, or expenses, as appropriate; and

WHEREAS, in 2008 the City of Lake Elmo ordered an alternative urban area wide review (AUAR) of the Lake Elmo Village area and as such the Village Fund was created to account for the activity related to the review; and

WHEREAS, the costs of the AUAR review were planned to be paid by developers; and

WHEREAS, the city tracked the revenues generated from the applicable AUAR developer fees in the General Fund rather than the Village Project Fund. Over time this resulted in a deficit fund balance in the Village Project Fund; and

WHEREAS, the city of Lake Elmo wishes to transfer funds in the amount of \$378,736.48 from the General Fund to the Village Project Fund to fund the deficit and close out the fund.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELMO, The City authorizes the City Staff to make a one-time permanent fund transfer of \$378,736.48 from the General Fund to the Village Fund to eliminate the deficit fund balance, and to close Fund 413, the Village Fund effective December 31, 2021.

Passed and duly adopted this 6th day of July, 2021 by the City Council of the City of Lake Elmo, Minnesota.

Charles Cadenhead, Mayor

ATTEST:

Julie Johnson, City Clerk