



Staff Report

May 10, 2016

TO: Honorable Mayor and Town Council
FROM: Roger Carroll, Finance Director *re*
DATE: May 3, 2016
RE: Discussion of General Fund Balances Available for Transportation Projects

RECOMMENDED ACTION:

Discuss available General Fund balances and adopt resolution, if desired.

ISSUE STATEMENT AND DISCUSSION:

At the end of each fiscal year, General Fund expenses are subtracted from General Fund revenues. Generally, revenues have exceeded expenses, and the result has been a "Positive Net Position." "Positive Net Position" is the currently preferred term for what in the past has been known as equity, fund balance or reserves. For the sake of discussion, I will be using the term "reserves" in this discussion.

The Town of Loomis, over the years, has built a considerable amount of reserves. Going into this fiscal year, we had just over \$3 million in General Fund reserves – almost a full year's operating costs.

The Town's financial policies dictate that when revenues exceed expenses in the General Fund, those excess revenues be designated, or "earmarked" for capital improvement expenditures. The Town Council, though, has the right to re-designate those funds as they see fit. Attachment A shows the current allocation of General Fund Reserves.

As you have seen in the discussion of the Capital Improvement Plan, our transportation needs exceed the funds received specific to those costs. When this happens, it is necessary to draw on the General Fund reserves designated for capital improvements. You will notice in Attachment B that by the end of the proposed five year capital improvement plan, the reserves designated for capital improvements not only will be exhausted, but inadequate for the plan.

Attachment C shows staff recommendation to adjust the reserve designations. This is the reasoning:

Community Facilities – This designation was created when the intention was to build a Town Hall. It was assumed that the funds in the Community Facilities development fee fund would be insufficient to build the facility. A portion of those funds were used to complete the renovations of the current Town Hall. Transferring \$240,237 to the Capital Improvement designation will leave \$200,000 for future needs, should they arise.

Business Assistance Loans – This designation was created to assist the Downtown businesses to improve their business through capital improvement. Only one loan was made and has been repaid. No new applications have been received. There was an attempt made to redesign the program, but nothing came of it. Staff recommends reallocating \$400,000 to the capital improvement designation for the following reasons:

1. The intention of the loan program was to improve the downtown business district.
2. Using those funds as "matching funds" to the ATP loan will directly benefit the downtown business by improving access to the businesses and improving the general environment that the businesses operate in.

Litigation – These funds were set aside at the request of the Town's Finance Director. The Town is responsible for the first \$25,000 of each claim made against the Town (similar to a deductible). If a number of major claims were made, those costs could hinder the normal operations of the General Fund. On the other hand, the Town's risk pool – The Small Cities Organized Risk Effort (SCORE) provides a "bank" for its cities to cover the "deductibles" and the Town would likely never need the General Fund reserves for that purpose. Staff recommends moving \$150,000 of those funds to the capital improvement designation.

POLICY AND/OR FINANCIAL IMPLICATIONS:

There recommended actions are consistent with the Town's financial policies. Failure to make some kind of correction to the capital improvement designation will result in the Town's inability to complete the recommended capital improvement plan.

**The Town of Loomis
General Fund Reserve Designations
As of June 30, 2015
(Attachment A)**

General Fund Reserves Designated for:

Capital Improvements	432,235
Community facilities	440,237
Parks	50,000
Dunmore Drainage	55,000
Fire departments	45,863
Business Assistance loans	500,000
Litigation	200,000
Operating reserves	1,111,543
COPS set aside	71,244
OPEB set aside	101,430
Total General Fund Reserves	<u>3,007,552</u>

The Town of Loomis
General Fund Reserve Designated for Capital Improvements
For the Six Years ending June 30, 2021
(Attachment B)

General Fund Balances

Reserved for Capital Improvements:

Balance at 6/30/15	432,235
15/16 projected addition to reserves	300,000
15/16 Transportation needs	(21,000)
Balance at 6/30/16	711,235
16/17 projected addition to reserves	41,000
16/17 Transportation needs	(200,000)
Balance at 6/30/17	552,235
17/18 projected addition to reserves	30,000
17/18 Transportation needs	(100,000)
Balance at 6/30/18	482,235
18/19 projected addition to reserves	20,000
18/19 Transportation needs	(320,767)
Balance at 6/30/19	181,468
19/20 projected addition to reserves	10,000
19/20 Transportation needs	(350,000)
Balance at 6/30/20	(158,532)
20/21 projected addition to reserves	-
20/21 Transportation needs	-
Balance at 6/30/21	(158,532)

**The Town of Loomis
Proposed Changes to General Fund Reserve Designations
As of June 30, 2016
(Attachment C)**

General Fund Reserves Designated for:	Current	Additions or (Decreases)	Proposed
Capital Improvements	432,235	790,237	1,222,472
Community facilities	440,237	(240,237)	200,000
Parks	50,000		50,000
Dunmore Drainage	55,000		55,000
Fire departments	45,863		45,863
Business Assistance loans	500,000	(400,000)	100,000
Litigation	200,000	(150,000)	50,000
Operating reserves	1,111,543		1,111,543
COPS set aside	71,244		71,244
OPEB set aside	101,430		101,430
Total General Fund Reserves	3,007,552	-	3,007,552

TOWN OF LOOMIS

RESOLUTION NO. 16-

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOOMIS
AUTHORIZING REDISIGNATION OF THE GENERAL FUND RESERVES**

WHEREAS, Town financial policy dictates that excess revenue in the General Fund be designated for capital improvements; and

WHEREAS, the Town Council of the Town of Loomis has the authority to change the amounts designated in the General Fund Reserves; and

WHEREAS, the projected capital improvement projects exceed the currently available reserves designated for capital improvements;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Town Council of the Town of Loomis does hereby declare as follows:

The Town Finance Director is hereby authorized and directed to make the following transfers between Designations of the General Fund:

- \$ 240,237 From Community Facilities to Capital Improvements
- \$ 400,000 From Business Assistance Loans to Capital Improvements
- \$ 150,000 From Litigation to Capital Improvements

PASSED AND ADOPTED this 10th day of May, 2016 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Mayor

:

Town Clerk