

TO: Finance & Personnel Committee

FROM: Jim Villiesse, City Clerk

RE: Fund Balance Policy Issued: 5/15/2002

The current amount of undesignated fund balance available to be appropriated for unanticipated expenditures, "contingencies" if you will, is calculated as follows:

Undesignated Fund Balance	12/31/01		1,791,506
Budgeted Revenue		5,577,814	
Budgeted Expenditures		<u><5,587,990></u>	
Budgeted Fund Balance appropriation		<10,176>	
Net Anticipated Unbudgeted Revenue		40,000	
Anticipated Unbudgeted Expenditures		<u>0</u>	
Expected Results of Operations			30,176
Minimum Fund Balance Reserve			<u><1,396,998></u>
Available for Contingencies			\$424,684

The current budget excluded a number of projects and operational proposals. These are 1) New Cemetery full-time employee (\$20,000); 2) New Building & Grounds full-time employee (\$30,000); 3) New Christmas decorations (\$10,000); 4) Downtown landscaping and lighting improvements (\$60,000). Beyond these, numerous operational items were deleted or trimmed from the original budget requests.

Requests to fund unbudgeted items always come up, during the year. Recently, we had the Washington center project and the CDBG-Survey. Currently, we have the Web site request and a request to donate to Wisconsin Farm Technology Days, which will be held in Waupaca County.

The evaluation of these requests is always difficult. When the requests are small compared to items which failed to make the budget, the decision isn't can we, but should we. The balancing act is always one of established priorities and the value of the item to the community as a whole vs. the cost to the taxpayers, and the lost opportunity cost of doing something else.

The nature of these things is that they must be decided on a case by case basis. I reviewed my suggestions regarding these kinds of things written 10 years ago and I

find them too extreme. The suggestions that contingent fund appropriations be by 2/3 vote is probably a good one, as it affirms a commitment from the Council.

As a policy statement I suggest the following:

CITY OF NEW LONDON
POLICY ON APPROPRIATION FROM THE CONTINGENCY FUND

Whereas, from time to time meritorious proposals and projects come forward outside of the normal budget cycle, the following procedure to review these is hereby established.

- 1) Appropriation for unbudgeted proposals and projects shall be made exclusively from the Contingency Fund. The Contingency Fund is hereby established and is to be calculated as follows: The previous year's undesignated fund balance, adjusted by the increase in budgeted revenues, less the decrease in budgeted expenditures plus an adjustment for anticipated unbudgeted revenues, revenue short falls or expenditures. This sum would be the expected total year-end undesignated fund balance. This number would then be adjusted for any new designated fund reserves and a minimum fund balance reserve which will be 25% of the total annual budget. The net result shall be the contingency fund.
- 2) Requests for appropriations from the Contingency Fund shall be in writing and include a description of the proposal or project, the reason it was not considered as a part of the annual budget or if it had been the reason it should now be reconsidered and a statement as to how funding the proposal or project fits into the established Council Budget priorities or is of benefit to the community.
- 3) At the time of the submission the Clerk-Treasurer shall prepare a statement of the current status of the Contingency Fund and a list of projects or proposals, which are still viable, but did not make it into the current budget.
- 4) The City Administrator shall append to the request his recommendation on funding the request, and his reasoning therefore.
- 5) The Finance Committee shall consider the request and pass on its positive recommendation to the Council. (Negative recommendation ends the matter).
- 6) The appropriation shall only be made if passed as a budget amendment by a 2/3 vote.