

<b>City of Northfield, Minnesota</b>	<b>Policy Number: 6.03</b>
<b>FINANCE</b>	<b>Adopted: 1/19/10: M2010-0014</b>
<b>Fund Balance Policy</b>	<b>Revised:</b>

**ITEM:** Approval of Revised Fund Balance Policy for the General Fund

**ACTION REQUESTED:**

**Proposed Motion For Consideration:** Vols Motion Powell Second

*The City Council of the City of Northfield hereby approves the change to the General Fund's fund balance designation policy.*

**SUMMARY**

At the work session December 14<sup>th</sup> at which final changes to the 2010 budget and levy were discussed, the fund balance policy was brought up. It was suggested that rather limiting the designation for "Revenue Stabilization" to 25% of the subsequent year's LGA allocation – that any and all remaining monies (not otherwise reserve or designated elsewhere) be designated to the category. That is what is presented for your approval. The changes are highlighted in the attached policy.

As a point of reference, the projected fund balance for the General Fund at 12/31/09 is shown below and contrasts the difference in policy language – existing vs. revised:

	Existing Policy		Revised Policy
Projected balance at 12/31/09	\$ 4,986,626		\$ 4,986,626
<b>Projected fund balance components at 12/31/09:</b>			
<b>Reserved (estimated)</b>	75,000	A	75,000
<b>Designated for cash flow -</b>			
7 months of subsequent year's LGA	1,325,015		1,325,015
1/2 of subsequent year's tax levy	2,462,432		2,462,432
10 months of subsequent year's MVHCA	116,667		116,667
Total designated for cash flow purposes	3,904,114		3,904,114
<b>Designated for revenue stabilization -</b>			
25% of subsequent year's LGA (+ remainder in rev.)	567,864		812,159
<b>Designated for uninsured losses -</b>	100,000		100,000
<b>Designated to subsequent year's budget -</b>	95,353		95,353
<b>Total designated</b>	4,667,331	B	4,911,626
<b>Total reserved and designated</b>	4,742,331		4,986,626
<b>Balance - unreserved and undesignated</b>	244,295	C	(0)

**SUBMITTED BY:** *Kathleen McBride, Finance Director*

**ATTACHMENT:**

General Fund – Fund Balance Designations Policy - Revised

City of Northfield  
Financial Management Policies

Policy:	<b>General Fund – fund balance designations policy</b>
Approval Date:	May 21, 2007
Amended Date:	January 19, 2010

**Designation for Cash Flow Reserve:**

The amount of fund balance designated for cash flow shall be calculated as follows:

Seven months of subsequent year's Local Government Aid allotment

Six months of local property tax levy

Ten months of Market Value Credit Aid allotment

The number of months used in the calculation shall change to correspond with changes made in the distribution of the revenues.

**Designation for Revenue Stabilization:**

Any balance not otherwise reserved or designated shall be reserved for revenue stabilization.

The amount of fund balance designated for revenue stabilization shall at a minimum be equal to 25% of the subsequent year's Local Government Aid allotment.

**Designation for Uninsured Losses:**

The amount of fund balance designated for uninsured losses shall be \$100,000.

**Designation for Subsequent Year's Budget:**

Any amount of fund balance appropriated to the subsequent year's budget shall be shown as such on the balance sheet.