

City of Farmington
430 Third Street
Farmington, MN 55024

Mission Statement

Through teamwork and cooperation, the City of Farmington provides quality services that preserve our proud past and foster a promising future.

**AGENDA
CITY COUNCIL WORKSHOP**

April 3, 2017

6:00 PM

Farmington City Hall

1. CALL TO ORDER

2. APPROVE AGENDA

3. DISCUSSION ITEMS

(a) 2016 Interfund Transfers Review and Expenditures Discussion

4. CITY ADMINISTRATOR UPDATE

5. ADJOURN



City of Farmington

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TO: Mayor, Councilmembers and City Administrator
FROM: Robin Hanson, Finance Director
SUBJECT: 2016 Interfund Transfers Review and Expenditures Discussion
DATE: April 3, 2017

INTRODUCTION

Transfers of money between funds occur for various reasons. The following is not an exhaustive list, but will provide you with some examples.

- Sometimes transfers are made as part of a long-term funding strategy often in conjunction with a capital improvement plan (CIP). Some specific city examples would be transfers made to the sealcoating, building maintenance, trail maintenance, and ice arena capital accounts.
- Money may be infused from one fund into another fund to cover day-to-day operations such as the transfer made from the General Fund to the EDA.
- The city may want to save money over several years for a larger purchase (such as the fire engine planned for 2019), or recurring replacement purchases (for example, items replaced on rotation schedules, such as police and fire equipment), or items for which the delivery time is uncertain, such as, ammunition and guns (may order one year, but delivery is not available until the following year—a different budget year).
- Transfers are made when the city invests its liquor stores community improvement funds.
- Administrative transfers provide for the reimbursement of human resource and administrative costs incurred in one fund for the benefit of another fund. Another type of administrative transfer would be more house-keeping in nature, for example completing closing entries for accounts that are no longer needed.
- Finally, no matter how comprehensive and well thought out the city's budget or current year plan may be new, unanticipated opportunities often present themselves. Some recent examples would be the Rambling River bank restoration project and potential downtown plaza.

During year-end staff reconciles the actual transfers which were made to the budgeted amounts. The differences are identified and reviewed with you.

Reviewing this information annually also provides an excellent opportunity for you to see the positive impacts you have had with these transfers.

DISCUSSION

The attached comprehensive schedule details the interfund transfers that occurred during 2016. It may be difficult to review this report on your iPad. Larger copies of this information will be available for your review during your April 3, 2017 workshop.

The transfers are grouped into five color-coded categories.

- Gray – Amounts highlighted in gray represent amounts that were included in the 2016 budget and transferred accordingly.

- Brown – These represent amounts that were included in the 2016 budget, but not listed as transfers. For accounting purposes these amounts are included as transfers. One example would be the insurance deductible replenishment. One of these amounts was included in the General Fund. During the year this money was transferred from the respective funds to the Property and Liability Insurance Fund where the insurance claims are actually paid.
- Peach – Included in the peach cells are amounts which were listed as transfers for budget purposes. These amounts were for interfund loans. For accounting purposes these amounts are not recorded as transfers, rather they are recorded as interfund receivables and payables. The city's budgeting process is for revenues and expenditures/expenses. So, we include these items as transfers in the budgeting process so it is clear to council we envision these types of transactions and they are part of the budgeted activities.
- Purple – These transfers occurred during the year but were not included in the 2016 budget. Many of these items were discussed with the city council during the year. One example would be dedicated funding for township road maintenance or transfers you approved as part of the bond refundings. Another reason for these transfers may be more administrative. For example, the city paid off its share of the 1995 Public Facilities Authority bonds. The remaining funds totaling \$1,647 were transferred into the General Fund so that the related bond fund could be closed.
- Blue – These are proposed transfers. They have not yet been made and will be reviewed and discussed with you during your workshop.

There are explanations for all of the amounts highlighted in purple and blue in your packet. The row (numbers) and column (letters) references have been included in the spreadsheet. This will enable you to cross-reference the cell on the worksheet with the corresponding comment on the following pages.

Similar to the update staff shared last October, the 2016 General Fund budget continued to fare well. There were several revenue line items (ex. new construction permit revenue) that exceeded budget and several expenditure areas (ex. snow removal) that were under budget. A more in depth review of the 2016 financial statements will be provided to you during your April 17, 2017 city council meeting.

The draft 2016 revenues over expenditures presently total approximately \$900,000. After ensuring the General Fund fund balance meets the city's minimum 40% of the following year's expenditures and setting aside funds to provide for a possible increase in 2018 expenditures, staff would like to propose the following additional transfers. These transfers take into consideration city council's desire to provide tax levy relief, fund commitments the city council has made for items that were not included in the 2017 budget and address items which are underfunded.

The proposed transfers are highlighted in blue on the attached worksheet. Moving from left to right for items listed on row eight of the worksheet the proposed transfers are as follows:

- To provide tax levy relief in 2018 staff is recommending the use of \$150,000 as a one-time reduction to the 2018 debt levy.
- Funding would be provided in the amount of \$25,000 for a consultant to complete the transportation analysis for the city's comprehensive plan.
- A transfer of \$30,000 into the Maintenance Fund-Trail Maintenance would pay for the city's share of the Rambling River restoration project which was discussed during your March workshop.
- An allocation of \$27,500 to the Maintenance Fund for building maintenance, an additional \$27,500 for the city's Emerald Ash Borer response, and \$7,500 for the downtown plaza concept development.
- Finally, the city has a compensated absences liability as of December 31, 2016 of \$950,000. This represents the amount due to city staff for unused vacation, sick leave and personal time off (PTO). When a staff person leaves city employment the city pays the unused balance as severance pay. To-date the city has set-aside \$50,000 for compensated absences leaving an unfunded balance of \$900,000. Staff is recommending \$300,000 be added to the initial \$50,000 which was set-aside for compensated absences. This would leave a remaining unfunded liability of \$600,000.

BUDGET IMPACT

Budget variances have been explained above.

ACTION REQUESTED

- Review the material presented, ask questions and provide direction to staff.
- You will be asked to approve the comprehensive list of transfers during your regular April 3, 2017 city council meeting.
- If you desire to make any changes to the transfers recommended due to the positive year end 2016 budget results these can be discussed and incorporated into recommendations you will consider at the city council meeting.

ATTACHMENTS:

Type	Description
▣ Backup Material	2016 Operating Transfers for Council 3-29-2017

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC						
1	2016 OPERATING TRANSFERS												Transfers In = Acct 5205 and Transfers Out = Acct 7310																						
2													IN																						
3																																			
4				General Fund	EDA	Park Imp Fund	2013A Bonds	2016A Bonds	2008AB Bonds	2010C Bonds	2010A Bonds	2010B Bonds	2005C Bonds	2007A Bonds	Road and Bridge Fund	Fire Cap	Arena Cap Proj Fd	General Equipment Cap Fund	Main. Fund - Sealcoat	Main. Fund - Streets	Main. Fund - Trail Main	Main. Fund - Bldg Main	Main. Fund - Township Road Maintenance	Main. Fund - Emerald Ash Borer	Main. Fund - DT Plaza	Employee Expense Fund	Prop Ins ISF								
5				1,148,371	40,000	40,000	219,000	-	-	150,000	-	124,552	1,385,000	-	117,000	295,000	20,000	156,607	350,000	-	30,000	15,000				-	-	4,090,530							
6		Fund	1000	2000	2300	3091	3094	3095	3096	3097	3098	3130	3135	4100	4300	4503	5600	5700	5700	5721	5731	5741				7100	Totals	Difference							
7	OUT	630,000	1000		40,000										90,000	20,000	85,000	350,000		30,000	15,000				13,022	10,000	653,022	(23,022)							
8		-	1000							43,709							65,000				40,000			45,000	36,969	50,000		280,678	(280,678)						
9		-	1000							150,000									25,000	30,000	27,500			27,500	7,000	300,000		567,000	(567,000)						
10		276,607	1000LGA													205,000		71,607										276,607	-						
11		-	2300														50,000											50,000	(50,000)						
12		-	2500														10,000											10,000	(10,000)						
13		-	3094						2,290,000	1,220,000																		3,510,000	(3,510,000)						
14		-	3110	1,647																								1,647	(1,647)						
15		-	3130	165																								165	(165)						
16		117,000	3091												117,000													117,000	-						
17		-	3136											4,850,000														4,850,000	(4,850,000)						
18		-	3137											1,630,000														1,630,000	(1,630,000)						
19		369,000	4100				219,000	377,000	745,000	150,000																		1,491,000	(1,122,000)						
20		1,385,000	4400											1,385,000														1,385,000	-						
21		-	5711																				10,000					10,000	(10,000)						
22		93,040	6100	53,040		40,000																				2,000		95,040	(2,000)						
23		-	6100			15,013											14,513	18,121	25,125			36,301						109,073	(109,073)						
24		312,997	6202	281,859								31,138															3,750	316,747	(3,750)						
25		128,235	6302	81,528								46,707															360	128,595	(360)						
26		342,511	6402	326,942								15,569																342,511	-						
27		436,140	6502	405,002								31,138																436,140	-						
28				1,150,183	40,000	55,013	219,000	377,000	3,035,000	1,370,000	193,709	124,552	1,385,000	6,480,000	117,000	309,513	98,121	246,732	350,000	25,000	96,301	82,500	10,000	72,500	43,969	363,022	16,110	16,260,225							
29			1,812	-	15,013	-	377,000	3,035,000	1,220,000	193,709	-	-	6,480,000	-	14,513	78,121	90,125	-	25,000	66,301	67,500	10,000	72,500	43,969	363,022	16,110	16,260,225								
30																																			
31				Transfers per original 2016 budget																															
32				Amounts included in 2016 budget line items, but not as transfers. For accounting purposes they are transfers.																															
33				Amounts included in 2016 budget line items as transfers. For accounting purposes they are not transfers, but rather interfund loans.																															
34				Additional transfers that occurred during the year. Explanations noted as comments within worksheet. Printed on separate page for your reference.																															
35				Proposed additional transfers, retro to 12-31-16. Explanations noted as comments within worksheet. Printed on separate page for your reference.																															
36																																			

Cell: Z6
Comment: Robin Hanson: Employee insurance premium transfer
Cell: AA6
Comment: Robin Hanson: Insurance deductible transfer
Cell: K7
Comment: Robin Hanson: The 2017 budget anticipated the residual fire truck levy be transferred to the 2010A bond funds in 2016 so the debt levy for 2017 could be lowered. This was a one-time reduction.
Cell: R7
Comment: Robin Hanson: In the fall of 2016 council approved set-aside for police equipment
Cell: V7
Comment: Robin Hanson: In the fall of 2016 council approved set-aside for building maintenance
Cell: X7
Comment: Robin Hanson: In the fall of 2016 council approved set-aside for Emerald Ash Borer efforts
Cell: Y7
Comment: Robin Hanson: In the fall of 2016 council approved set-aside for downtown redevelopment efforts
Cell: Z7
Comment: Robin Hanson: In the fall of 2016 council approved set-aside for compensated absences
Cell: K8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance for 2010A debt levy.
Cell: T8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance to pay for transportation consultant for the comp plan.
Cell: U8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance the Rambling River bank restoration project.
Cell: V8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance to provide additional building maintenance funds.
Cell: X8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance to provide additional funds for the Emerald Ash Borer project.
Cell: Y8
Comment: Robin Hanson: Proposed one time use of 2016 fund balance to pay for downtown plaza development consultant.
Cell: Z8
Comment: Robin Hanson: Proposed one time transfer of 2016 fund balance to the Employee Expense Fund to help address the city's unfunded compensated absences liability.
Cell: Q10
Comment: Robin Hanson: Transfer from Park Improvement Fund to Arena Capital Projects Fund for the purchase of the new Zamboni
Cell: Q11
Comment: Robin Hanson: Transfer from 2016 Ice Arena Fund operations to Ice Arena Capital Fund for future building needs.
Cell: I12
Comment: Robin Hanson: Amount of 2016A refunding bond proceeds transferred to 2008AB bonds for 2-1-17 early redemption.
Cell: J12
Comment: Robin Hanson: Amount of 2016A refunding bond proceeds transferred to 2010C bonds for 2-1-17 early redemption.
Cell: D13
Comment: Robin Hanson: Transfer net cash balance remaining from the 1995 Public Facilities bonds to the General Fund. \$'s were in turn used to pay down on the Fire Truck loan.

Cell: D14
Comment: Robin Hanson: Transfer net cash balance remaining from the 2010C bond fund to the General Fund.
Cell: O15
Comment: Robin Hanson: Included in 2016 Budget to provide for interfund loan. For accounting purposes this results in an interfund loan and not an actual operating transfer.
Cell: N16
Comment: Robin Hanson: Transfer of 2016B refunding bond proceeds to 2007A bond fund.
Cell: N17
Comment: Robin Hanson: Transfer of 2016C refunding bond proceeds to 2007A bond fund.
Cell: H18
Comment: Robin Hanson: Transfer of city's net contribution to the 2016A bond refunding. \$95,000 for general contribution, \$42,000 for the interest on the interfund loan for SA prepayments and \$240,000 to ensure the 2016A bonds meet the 105% debt service funding requirement.
Cell: I18
Comment: Robin Hanson: Transfer of city's net contribution to the 2016A bond refunding.
Cell: M19
Comment: Robin Hanson: Included in 2016 Budget to provide for interfund loan. For accounting purposes this results in an interfund loan and not an actual operating transfer.
Cell: W20
Comment: Robin Hanson: Transfer within the Maintenance Fund to set-up funding for township road maintenance.
Cell: F22
Comment: Robin Hanson: Transfer of Liquor Store Community Investment \$'s to the Park Improvement Fund for the purchase of the roving camera (currently surveilling at Lake Julia park) and the new bike racks for downtown.
Cell: P22
Comment: Robin Hanson: Transfer of Liquor Funds Community Investment \$'s to the Fire Capital Fund for the purchase of thermal imaging camera.
Cell: Q22
Comment: Robin Hanson: Transfer of Liquor Store Community Investment \$'s to the Arena Capital Project Fund for advertising on the new Zamboni (\$10,000) and the new sound sytem (\$8,121)
Cell: R22
Comment: Robin Hanson: Transfer of Liquor Store Community Investment Fund \$'s to the Gen'l Capital Equipment Fund for the purchase of a new building inspections vehicle.
Cell: U22
Comment: Robin Hanson: Transfer of Liquor Store Community Investment Fund \$'s to the Trail Maintenance Fund for the TH-3 trail extension