



Legislation Text

File #: 16-530, **Version:** 1

City Council Meeting Date: December 6, 2016

To: Mayor and City Council
City Administrator

From: Melanie Lammers, Finance Director

Consider Approving Updated Financial Policies

Action Requested:

The Northfield City Council approves the attached updated financial policies for Conduit Debt, Fund Balance .

Summary Report:

The Finance Subcommittee has been reviewing current policies, and discussing a few new ones as well. Attached are three policies that have been through the Finance Subcommittee. The first two, are current policies we are revising. The third is a new policy the City has not had before.

Conduit Debt Policy - Attached is a red-lined copy outlining the changes. We have a solid policy in place, with the exception of one clause on page 3, section 9. We are proposing removing the clause that allows the administrative fees to be paid on a yearly basis. The fees are not remitted voluntarily; they are billed out by the Finance Department. When there is staff turnover, it is possible the City will not bill or collect the fees. The organizations requesting a conduit financing are able to incorporate the fee into the bonding, so there is no reason not to collect it up front. The second change is removing the clause exempting refunding's of bonds prior to October 2, 2006. There is no reason to have this clause in the policy. If an organization issued conduit bonds through the City prior to 2006, and paid the full administrative fee up front, the policy would exempt them from paying the fee again during a refunding.

Fund Balance Policy - Attached is a red-lined copy outlining changes to the existing policy. The primary changes have been talked about with Council, and Finance Subcommittee and include- on page 2 under #5. Unassigned, we have increased the minimum unassigned fund balance percentage from 40% to 50%. In addition, we have added language to create an additional 1 month expense cushion. Increasing the required reserve amounts will help us maintain our strong bond ratings, and also help with future financial resiliency. Further down the page, the process is outlined if the reserves are spent below the policy amount. And finally, clause iv. states after the financials have been audited, staff will review with Council any amounts greater than required in the reserve policy, and Council will make a decision on directing the excess dollars. The green lined paragraph below this was language in the last updated policy, and has been made obsolete by the new language, so we are simply removing it. We have also added a fund balance policy for the enterprise funds on the last page. Previously there was no official policy in place in regards to the enterprise funds. After much discussion with the Finance Subcommittee, 40% plus next year's bond payments for a fund were agreed to be a reasonable reserve for these funds.

The third policy we are asking for approval for is brand new. The Utility Collection Policy is written to show how we handle utility collections. The policy outlines what the City's current and past practices have been; we have just never put them into a policy document. It is important to document our policies in case of staff turnover, vacations, etc. The policy can be used as a tool for interpreting the correct action to be taken.

Financial Impacts:

Financial policies are used by staff and Council for guidance on financial decisions. It is important to have updated financial policies reflecting current practices.

Tentative Timelines:

We would like to have the three policies approved before the end of 2016.