

Board of Aldermen Committee Minutes

Date: 2/12/15	Chair: Siliski	Convened: 5:35	Adjourned: 6:40
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Committee	<input type="checkbox"/> Charter & Ordinance <input type="checkbox"/> Community Development <input checked="" type="checkbox"/> Finance <input type="checkbox"/> General <input type="checkbox"/> Intermunicipal		<input type="checkbox"/> Public Safety <input type="checkbox"/> Public Works <input type="checkbox"/> Recreation <input type="checkbox"/> Special Liquor <input type="checkbox"/> Tax Abatement
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Committee Members Present	<input type="checkbox"/> Dave Allaire <input checked="" type="checkbox"/> Chris Siliski <input type="checkbox"/> Gary Donahue <input checked="" type="checkbox"/> Sharon Davis <input type="checkbox"/> Tom DePoy <input type="checkbox"/> Jon Kiernan		<input checked="" type="checkbox"/> Melinda Humphrey <input checked="" type="checkbox"/> William Notte <input type="checkbox"/> John Cassarino <input type="checkbox"/> Ed Larson <input type="checkbox"/> David Wallstrom
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Others Present	<input checked="" type="checkbox"/> Dave Allaire <input type="checkbox"/> Chris Siliski <input type="checkbox"/> Charles Romeo <input type="checkbox"/> Sharon Davis <input type="checkbox"/> Tom DePoy <input checked="" type="checkbox"/> Abby Brodowski	<input checked="" type="checkbox"/> Gary Donahue <input type="checkbox"/> William Notte <input type="checkbox"/> Matt Bloomer <input type="checkbox"/> Ed Larson <input checked="" type="checkbox"/> Jon Kiernan <input type="checkbox"/> Mayor Louras	<input checked="" type="checkbox"/> Treasurer Wilton <input type="checkbox"/> City Attorney Romeo <input type="checkbox"/> <input checked="" type="checkbox"/> Rutland Herald <input checked="" type="checkbox"/> Kam Johnson <input type="checkbox"/>
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Motions/Discussion – Unassigned Fund Balance

Note – given time, the second half of the warned meeting on “financial statement review” was postponed.

The finance committee met to discuss the policy approved by the Board of Aldermen in 2010 to maintain an unassigned fund balance in its general fund of 10-15% of annual revenues (or expenses) in order to *have adequate cash flow for operations and minimize surpluses from accumulating*. The unassigned fund balance represents funds available for operational use not obligated for other purposes such as grants or special projects. The Board originally agreed to the recommended government benchmark concept set forth by the Government Finance Officers’ Association, a national organization the City’s Treasurer is a member of.

With a fiscal year budget of approximately \$20 million, 10% is \$2 million. The amount “held” in reserve by the City has fluctuated between \$1.35 million and \$2.2 million. Note, the \$1.35 million is a revised # stated by the Treasurer in reference to the fiscal year-end ’14 audit...down from an original estimate of \$1.8 million presented at

the fy 15' tax-rate-set meeting.

A draft resolution (attached to this report) brought forth by Alderman Davis, written by City Attorney Romeo after Alderman Davis' consultation with the Mayor, proposes to: 1. rescind the above mentioned policy; and 2. resolve that "any general fund budgetary surplus after the close of a fiscal year be utilized for tax relief and applied to reduce the tax rate for the following fiscal year."

This resolution was supplemented by a letter from the Mayor (also attached) in which it is stated: 1. Unspent money via the General Fund budget "should be used to lower the tax rate of the following year"; yet, "it is important that a healthy fund balance remain for cash flow purposes and to minimize the need for short term borrowing (tax and/or bond anticipation notes)."

A lively discussion ensued:

Points in favor of the new resolution:

- The funds belong to the tax payers and should be returned.
- The size of the balance is extraordinarily high and not warranted.
- The City is in a much better financial state than it was when the original policy was set and does not need such cash on hand.

Points in favor of maintaining the current policy:

- All business ventures and any entities managing large sums of money need, and are often times required by financiers, a consistent level of working capital.
- A government agency might need more than an average small business since it only collects revenue 4 times a year; currently, the City's weekly payroll is about \$280,000 and weekly accounts payable is averaging \$235,000 (not including special construction projects) - that's about \$2 million per month.
- According to the Treasurer, short-term borrowing was part of what contributed to and perhaps disguised the \$5 million deficit recognized in 2006, and relying on short term borrowing to pay standard costs, according to her, "goes down a dark road".

- To conduct sound fiscal manage, one should not look solely at the income statement. Although critical, one needs to equally weigh decisions based on the balance sheet since other factors affecting City cash management may come into play.

No motion came from committee at this time. The issue will be left in committee for future discussion. Due to this, all generally agreed that the quarterly financial statement reviews sent to committee last BoA meeting will be an important step for all to fully consider Alderman Donahue's question (reflective of many in the room): "how much is a healthy fund balance". The committee chair stated a follow-up meeting on this issue will, most likely, occur just prior to the fy 16' tax-rate-set meeting in early July.

RESOLUTION
Of the Rutland City Board of Aldermen

General Fund Budgetary Surplus

WHEREAS, on September 7, 2010 the Board of Aldermen adopted the following policy: "The City shall maintain an unrestricted fund balance in the General Fund of 10-15% of annual revenues at FY end. If the fund balance exceeds 15% of revenue, excess will be applied to reduce taxes. If the unrestricted fund balance falls below 10% of revenues the City will determine a corrective course of action to increase the fund balance over the next fiscal year."; and

WHEREAS, retaining that amount of a fund balance may no longer be necessary given the current financial state of the city; and

WHEREAS, any tax revenues raised but not expended in a particular fiscal year should be returned to the taxpayers;

NOW THEREFORE BE IT RESOLVED; The policy of September 7, 2010 that an unassigned fund balance of 10%-15% of annual revenues at fiscal year-end be maintained is hereby rescinded.

AND BE IT FURHTER RESOLVED; It shall henceforth be the policy of the City that any general fund budgetary surplus after the close of a fiscal year be utilized for tax relief and applied to reduce the tax rate for the following fiscal year. Budgetary surplus is hereby defined as the positive difference, if any, between the total general fund budget for the fiscal year (as approved by the Board of Aldermen and the voters in accordance with charter requirements) and the total actual general fund expenditures for the fiscal year as determined when the tax rate is set.

Adopted at the regular meeting of the Board of Aldermen, December 15, 2014.

ATTEST:

Henry A. Heck, City Clerk

*Draft
for discussion*



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Finance Committee
Board of Aldermen
City of Rutland

Re: Surplus/Fund Balance Discussion

February 9, 2015

Committee Members,

I have been asked to provide my position relative to the discussion of the city's unassigned fund balance. This discussion began in July when the Board followed its own standing policy and chose not to provide a reduction to the FY15 tax rate because the fund balance was too low (pursuant to the Board's Sep. 2010 action). The Board chose this course of action even though there was hundreds of thousands of unspent dollars remaining in the FY14 General Fund budget. In short, the Board followed its duly adopted policy which is what it should have done.

My understanding is that the Board is now considering amending its policy to provide for taxpayer relief (when the tax rate is set in July) based not on fund balance but on the previous year's general fund budgeted expenses versus actual expenses. If this is the case, I support amending the policy to provide that taxpayer relief is provided for only when budget vs. actual expenses for the previous fiscal year results in a surplus. When we as policymakers ask the taxpayer for \$19m for a general fund budget and only spend \$18.7m during the ensuing twelve months, then the \$300k should be used to lower the tax rate of the following year.

There is general concern that this or future Boards, during the Nov.-Dec. budget review process, may unnecessarily and arbitrarily cut line items that were unspent the previous fiscal year if the unspent dollars are not returned to the taxpayer. This scenario could result in the return to previous administrations' culture of "spend every last cent on June 30th or they'll take it away next year," and we must not risk that future administrations and managers return to irresponsible fiscal habits.

However, it is also critical that the Board not draw down the entire unassigned fund balance in one lump sum (as I heard one Alderman suggest) and call it a "surplus." It is important that a healthy fund balance remain for cash flow purposes and to minimize the need for short term borrowing (tax and/or bond anticipation notes).

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healthy fund bal

I hope this memo is helpful as you make your decision regarding potential changes to Board policy.

Christopher C. Louras, Mayor
City of Rutland

