

AGENDA
Work Session
STE. GENEVIEVE BOARD OF ALDERMEN
Thursday – August 22, 2024
City Hall, 165 S. 4th St.
Immediately Following 6:00 p.m. Regular Board Meeting

CALL TO ORDER

APPROVAL OF AGENDA

BUSINESS ITEMS

- 1. Budget**

ANY OTHER BUSINESS

ADJOURNMENT

Any person requiring special accommodations (i.e. qualified interpreter, large print, hearing assistance) in order to attend the meeting please notify this office at 573-883-5400 no later than forty-eight hours prior to the scheduled commencement of the meeting.

Join us on the Zoom app at:

<https://us02web.zoom.us/j/84811211564?pwd=VnR5QVppTEhYMWYxWGszT2xqTW1YZz09>

Or by phone at (312) 626-6799 Meeting ID: 848 1121 1564 Passcode: 808225

Find the Zoom Link at www.facebook.com/stegenevievecityhall

Posted 8/19/2024

Happy Welch

Staff Report

August 22, 2024



To: Board of Aldermen
From: Happy Welch
Re: Budget Draft 2

Issue:

We have included the changes and recommendations from the board into this Draft 2 for review during the work session.

- Inserted a 2% COLA addition to the step raise for wages/salaries.
- Reallocated ARPA funding for the police department portable radios for digital use.
- Reduced the attorney fees in Judicial by \$5,000.
- Added back in \$24,000 for part-time fire chief working 18 hours per week.
- Added in \$8,000 in tourism marketing General Fund for tourism director advertising discretion expenditures.

To make this work with the Fund Balance Policy here two options:

Option 1) Transfer \$50,000 from Capital Projects to General Fund and lower the Fund Balance Policy reserve requirement to 40%.

OR

Option 2) Transfer \$303,000 from Capital Projects to General Fund to reach the 50% minimum.

We will have budget handouts ready at Thursday's meeting.

Recommendation:

Approve the changes to the 2nd Draft of the budget and approve Option 1 to meet the Fund Balance requirement.

CITY OF STE. GENEVIEVE

FUND BALANCE POLICY

September 2024

BACKGROUND

One of the key attributes of a financially stable organization is appropriate reserves. Adequate reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the organization. In concert with the City's other financial policies, the City's Reserve Policy serves as an important tool to guide the use of City resources in meeting the City's financial commitments and provides a framework for addressing unexpected future events in a fiscally prudent manner.

PURPOSE

The City of Ste. Genevieve has enacted the following policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

DEFINITIONS

Fund balance -- The excess of assets over liabilities in a governmental fund.

Nonspendable fund balance -- Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the principle of an endowment fund).

Restricted fund balance -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed fund balance -- Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned fund balance -- Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance -- Amounts that are available for any purpose; these amounts are reported only in the General Fund.

POLICY STATEMENT

The General Fund is the main operating fund that pays for general services provided by the City, such as public safety, parks, building/fire inspection, and street maintenance. The General Fund accounts for all general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of the City's general services.

General Fund Reserves are classified into two categories: Restricted and Designated. Restricted reserves are those that are not considered available due to financial, accounting, or legal restrictions. Designated reserves are established by City Council policy for an intended purpose and are available for use per City Council direction.

The target is to maintain an unrestricted fund balance of not less than 40% of annual operating expenditures for the fiscal year.

The City's basic goal is to maintain annual expenditure increases at a 3% growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of not less than 40% of operating expenditures stems from the following:

- This amount provides adequate funding to cover approximately four (4) months of operating expenses.
- This amount provides the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.
- This amount provides the liquidity to respond to contingent liabilities.
- The Government Finance Officers Association recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

Beginning in 2021, unassigned fund balance shall be any remaining amounts.

This policy may be amended from time to time per the City Council.

In addition, the Governmental Accounting Standards Board (GASB) Statement 54 Fund Reporting and Governmental Fund Type Definitions require that the City categorize fund balances according to the following components:

- a. Non-spendable (inherently non-spendable but may be reclassified)
- b. Restricted (externally enforceable limitations on use)
- c. Committed (self-imposed limitations on use)
- d. Assigned (limitation resulting from intended use)
- e. Unassigned (residual net resources)

Spending will be from the most restrictive (non-spendable) to least restrictive (unassigned).

CITY OF STE. GENEVIEVE FUND BALANCE POLICY

September 2024

CONCLUSION:

Maintaining, regularly updating, and adhering to an appropriately constructed reserve policy is a good business practice recognized by the Government Finance Officers Association, and is among the factors considered by credit rating agencies and the investment community when assessing the credit-worthiness of an organization. The City recognizes that the Reserve Policy is a cornerstone of the organization's fiscal health. As such, a biennial review of the Reserve Policy will be performed and any changes to the Reserve Policy will be brought forward for City Council consideration and approval.