FINANCE COMMITTEE

MINUTES

The Finance Committee Meeting of the City of Willmar met at 5:45 p.m. on Thursday, February 4, 2021, via TeleConference.

Present:	Audrey Nelsen	……..	Chair
	Rick Fagerlie	……..	Member
	Julie Asmus	……..	Member

Others on the teleconference: City Administrator Brian Gramentz and Finance Director Steve Okins.

Item No. 1 Call to Order

The meeting was called to order at 5:45 p.m.

Item No. 2 Roll Call

Roll-call was taken with the following members present: Chair Audrey Nelsen, Councilmember Rick Fagerlie, and Councilmember Julie Asmus. Councilmember Andrew Plowman was absent.

Item No. 3 Discussion Items for the Council

Purchasing Policy

Finance Director Okins presented the current Purchasing Policy to the Committee for its annual review. Specific discussion focused on the bidding process as established in the Policy noting State Statute was referenced. State Statute currently requires sealed bids for amounts over $175,000. It further addresses quote requirements for items between $25,000 and $175,000. For items under $25,000 either the open market or quotes may be used. Cooperative Purchases via the State Contract process is also addressed. Additionally, State Statute discusses the process for circumstances involving exceptions to taking the lowest quote with proper documentation describing the reasons why. It was noted that professional services involving legal services and auditing services are exempt from the bidding process.

Various requirements for department directors' approvals were also reviewed as well as the process to address multi-year contracts versus breaking costs down per year. It is staff's recommendation to add clarification to the Purchasing Policy that multi-year contracts should be considered in the aggregate amount. Staff will update the Purchasing Policy with this change and bring it back for formal Committee action at the next meeting.

This matter was taken for information.

Public Purpose Expenditure Policy

Finance Director Okins presented the Public Purpose Expenditure Policy which was last approved by Council resolution in 2003. He explained that this Policy describes the various types of expenditures authorized as public purpose. There were no recommended changes and this matter was taken for information.

Department Update

Finance Director Okins reported that the department is currently working on refinancing of the hospital bonds with Carris Health as well as a new intergovernmental transfer agreement with them. Other projects include the Epitopix sewer project with the EDC, the Local Option Sales Tax Bond issue for Swansson Field and Robbins Island projects, debt service and future financing for the street program, additional Local Option Sales Tax projects, the City Hall/Community Center project discussions, and year-end activities. We are also working on compiling preliminary 2020 departmental budget overages to present to the Committee at the next meeting to comply with Budgetary Overage requirements. It was also noted that Minnesota Department of Revenue provided information on online sales tax receipts regarding the Local Option Sales Taxes that was received just today. Staff will seek input on what kind of information the Committee would like to receive from this data.

Item No. 4 Future Agendas

Future Finance Committee meetings will include discussion on the Carris Health Intergovernmental Transfer Agreement, Carris Health financial information, and Carris Health debt refinancing. Other items include amending the Parks and Recreation 2021 Budget for a new Pen Pal Program and Tobacco-Free Parks signage, amending the Civic Center Budget regarding ice rentals, the Investment Policy, the Fund Balance Policy, Federal Path Local Financing, a Police Department Budget amendment due to the labor contract settlement, Intent to Reimburse for 2021 Street Improvement Bonds, and the Preliminary 2020 Budgetary Overages.

There being no further business to come before the Committee, the meeting was adjourned at 6:15 p.m. by Chair Nelsen.

Respectfully submitted,

Carol Cunningham

Carol Cunningham, Accounting Coordinator

CITY OF WILLMAR
PURCHASING POLICY

Revised: September 16, 2019

GENERAL PHILOSOPHY

The City of Willmar is committed to be responsible, prudent, and wise in spending the taxpayer's funds.

The purchasing policy was developed by the City to be followed and enforced. It is difficult to identify every possible scenario in this document that might be considered prudent or imprudent. In addition, the city is cognizant of the value not only of the following spending policies, but also the public perception of prudence. The City employees should make every attempt to adhere to the policies and exercise good business judgment in spending. It is recognized that even the best policies will need to be revised periodically and modified as needed.

PURCHASING

POLICY:

The City's policy is to purchase goods and services at the most cost effective and competitive rates, yielding the desired service, turnaround and value for the dollar. This practice must ensure the best utilization of funds, vendor selection, and adherence to ethical business practices including integrity, honesty, and avoidance of conflict of interest.

SCOPE:

This policy applies to purchase of goods or services that includes: competitive bidding, vendor selection, signature authority, purchase orders, and coding.

COMPETITIVE BIDDING

The City follows Minnesota State Statute 471.345 Uniform Municipal Contracting Law.

It is not the policy of the City to accept the lowest bidding vendor. The acceptance of the bid may be based on a number of factors, including: Cost, delivery costs, demonstrated working experience in the specific area, past experience with the City, overall quality of work, and in emergency situations.

Exception to this policy may be made in order to maintain continuity of services, their in-depth knowledge of the City's operations or systems, the uniqueness of the services offered, and in emergency situations. Examples include, but not limited to: Auditing Services, Financial Services, Engineering Services, Legal Services, Maintenance

Contracts, Building Maintenance, Architectural Services, and other similar services. Exception can also be made if the project requires unique skills or if bids cannot be obtained due to lack of interest from the vendors. It is the responsibility of the department head to document the rationale for the vendor selection, particularly when the lowest bid is not accepted and/or if a bid was only received or obtained from one vendor.

Spending Not Requiring Council Action

AUTHORIZATION LIMITS

Individual	$ Limit - Budgeted	$ Limit - Unbudgeted
City Administrator	up to $ 25,000	up to $ 25,000
Department Directors	up to $ 5,000	up to $ 5,000

Note: All payments for capital purchases in excess of $25,000 must be preapproved by the City Council. Monthly reports for all approved capital expenditures shall be provided to the City Council by the City Administrator. The department director, along with the concurrence of the Finance Director, may delegate signature authority to another individual in their department for a set dollar amount, which should be significantly lower than their own signing authority. This authority must be in writing and be kept in the Finance Department.

Items not requiring Council authorization prior to payment, but is part of the approved budget and over the authorization limits as described above:

- Payroll and payroll related payments
- Employee Expense reimbursements
- Insurance Premiums
- Routine Operations (utilities, supplies, cleaning services, etc.)
- Emergency payments or other payments to avoid late fees or interest charges.

    1. Finance will process payments on a bi-weekly basis. Payments that do not require Council authorization will be issued the same time as Council authorized ones.
    2. Payments that require Council action will be issued after the approval.
    3. A complete list of all paid and unpaid claims will be presented at the regular Council meeting under the consent agenda items.

PURCHASE ORDERS & CODING INVOICES

It is a prudent business practice to issue purchase orders prior to the purchase of goods and services. As a practical matter, no purchase orders are required for purchases under $5,000. Purchase orders can only be signed by the authorized individuals as outlined above with their respective signing authority. The City Administrator or their designee may co-sign a purchaser order if the order exceeds the director's authorization level.

Purchase orders are issued by the individual departments and retained by them until the goods and services are received. Upon the receipt of the invoice, the department head will approve the invoice for payment and forward the invoice, along with the purchase order to the Finance Department for processing.

All invoices are required to be coded and signed by the department head, or authorized delegate, before forwarding them to the Finance Department for processing.

NEW VENDORS

Selecting new vendors is at the discretion of the department head. When selecting a new vendor the department head or authorized delegate is required to also obtain an IRS Form W-9 from the vendor. The City requires the IRS Form W-9 before payment can be processed for the vendor.

Public Purpose Expenditures Policy

The following items are deemed to meet the Council definition of public purpose expenditures. With respect to the following categories of spending, all other uses are deemed to be inappropriate.

1. Meals and Refreshments (Excluding Alcohol):
   - A. Are allowed as part of a city business meeting in which the character of the meeting would involve predominately non-city employees.
   - B. When they are a part of a breakfast/lunch/dinner meeting for official city business when it is the only practical time to meet and when it involves non-city employee participants (i.e. business developers or business representatives). Only the expenses incurred by city employee(s) may be reimbursed. The City Administrator may allow exceptions when deemed in the interest of the City.
   - C. During non-routine, official meetings of the City Council, committees or subgroups.
   - D. When they are part of the structured agenda for a conference, workshop, seminar or meeting in which the City Administrator or a Department Director has authorized the employee to attend (this does not include routine staff meetings).
   - E. For department-sponsored meetings, conferences or workshops where the majority of invited participants are not city employees.
   - F. At department-sponsored events where registration fees are charged and the majority of invited participants are not city employees.
   - G. At meetings consisting primarily of city employees when the refreshment and/or meals are an integral part of the event and are necessary to sustain the flow of the meeting and to retain the captive audience, and if the meeting is one of the following:
     1. A division-wide annual/quarterly staff meeting for all employees;
     2. A non-routine senior staff or organizational meeting;
     3. An organization-wide or division-wide annual/quarterly staff meeting for all Department Directors/supervisors; or
     4. With the exception of structured training sessions, for the purpose of this policy, the meetings described shall be held no more frequently than once per quarter.
   - H. During official meetings of the City Council, Council Committees, advisory boards/commissions and task forces, when they are of a non-routine basis or when special events are held (i.e. as retirements or recognition).
   - I. A dinner meal to be allowed for staff during performance of election related duties on election day.
2. Recognition Events/Purchases
   - A. As refreshments for recognition of special one-time or once-per-year
   - B. Events when provided at modest level with prior City Administrator approval, such as: Annual Employee Picnic, Annual Clean-up Day Breakfast, Annual Employee Recognition Celebration.
   - C. Recognition gift purchases must be at a nominal cost not to exceed $25.00 per employee, unless part of a Council-approved employee compensation program. Recognition gift purchases over $25.00 but less than $250.00

per employee event, such as caps, pins, rings, watches, statues, plaques, medals, awards, ribbons and certificates will be awarded as approved by the City Administrator or his/her designee for retirement and extraordinary individual or item contributions. Awards to paid on-call firefighters and/or volunteers may not exceed $150.00 in value per employee event. The Council may annually appropriate funds to the City Administrator's budget to pay for such expenditures.

D. Annual Employee Recognition Awards
Years of service awards for regular full- and part-time employees amounting to $10.00 per year of service recognized at 5-year intervals that may be awarded at the Annual Recognition Event.

3. Special Events
   A. Such as Willmar Fests, National Night Out, the Volunteer Recognition event and other events that involve or invite participation by the general public.
   B. Expenditures for meals and participation fees are allowed, and representative staff members may participate in events that directly benefit the marketing of the City.

4. Refreshments and Food for Emergency Response Staff
Because emergency personnel are often called to perform for extended periods of time and duties where refreshments are important to duty performance, firefighters, police officers and other emergency response personnel may be provided refreshments or food when it is deemed appropriate by the City Administrator or Department Director to assure the delivery of quality emergency response service.

5. Employee Training
   A. Is allowed for reasonable registration, tuition and travel expenses for conference, seminars, workshops, tuition and approved City employment-related course work in accordance with City of Willmar Personnel Policy.
   B. Is allowed for tuition assistance required for retraining as part of planned organizational change based on an organization change plan.

6. Membership and Dues
When the primary purpose of the membership is for public benefit and not personal interest or gain in accordance with City of Willmar Personnel Policy.

7. Employment Licensing and Certifications Renewals
When the primary purpose of the license or certification is for public benefit and not personal interest or gain in accordance with Employment Contracts.

8. Clothing and Other Sundry Items
Employees may receive T-shirts and other sundry items of nominal value when these items are made available to the general public or if these items are determined by the City Administrator to be important to the successful involvement of employees in special city-sponsored or city-supported events (i.e. National Night Out, Willmar Fests, etc.). Employees may be supplied with uniforms, clothing, boots and other gear necessary for the performance of their job.

CITY OF WILLMAR INVESTMENT POLICY

Dated: December 20, 1995
Revised: January 13, 1997
Revised: January 21, 1998
Revised: February 3, 1999
Revised: January 24, 2000
Revised: January 6, 2002
Revised: December 15, 2003
Revised: March 16, 2009
Revised: September 20, 2010
Revised: March 7, 2011
Revised: September 4, 2012
Revised: July 25, 2016
Revised: November 5, 2018

1.0 **Policy:**

It is the policy of the City of Willmar to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statues governing the investment of public funds.

2.0 **Scope:**

This investment policy applies to all financial assets of the City of Willmar. These funds are accounted for the City's **Annual Financial Report** and include:

2.1 **Funds:**

2.1.1 General Fund

2.1.2 Special Revenue Funds

2.1.3 General Debt Service Funds:

2.1.4 Capital Projects Funds:

2.1.5 Enterprise Funds:

2.1.6 Internal Service Funds:

2.1.7 Trust and Agency Funds

3.0 **Prudence:**

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3.1 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 **Objective:**

The primary objectives, in priority order, of the City of Willmar investment activities shall be:

4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Willmar be undertaken in a manner that

seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, **diversification** is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 **Liquidity:** The City of Willmar investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 **Return on Investments:** The City of Willmar investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority:

Authority to manage the City of Willmar's investment program is derived from trading resolutions and Minnesota statutes. Management responsibility for the investment program is hereby delegated to the City Finance Director, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to person responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Finance Director. The City Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6.0 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decision. Employees and investment officials shall disclose to the City Administrator any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Willmar, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions:

The City Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security **broker/dealers** selected by credit worthiness who are authorized to provide investment services in the State of Minnesota. These may include **"primary" dealers** or regional dealers that qualify under **Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).** No public deposit shall be made except in a **qualified public depository** as

established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Finance Director with a **Notification to Broker and Certification by Broker** pursuant to Minnesota Statute 118A.04.

8.0 Authorized and Suitable Investments

Minnesota Statutes, Section 118A.04, Subdivision 1 through Subdivision 7, lists all permissible investments for municipalities. This list established the maximum investments risk permitted for a Minnesota municipality. The City of Willmar will not authorize its employees to invest in all of these investments, staying consistent with its number one priority of safety of capital. The following are investments the City will be authorized to invest in:

8.1 **Government Securities:** Instruments such as bonds, notes, bills, mortgages and other securities which are direct obligations of the federal government or its agencies and instrumentalities, with the principal fully guaranteed by the U.S. government or its agencies. The City will not invest in any mortgage or mortgage related security unless a return of principal is completely guaranteed by a federal entity.

8.2 **Certificate of Deposit:** A negotiable or nonnegotiable instrument issued by commercial banks and insured up to ~~$100,000~~ $250,000 by the Federal Deposit Insurance Corporation (FDIC). (See 9.0 "Collateralization")

8.3 **Repurchase Agreement:** An investment which consists of two simultaneous transactions, where the City purchases securities from a bank or dealer. At the same time, the selling bank or dealer agrees to repurchase the securities at the same price plus interest at some agreed-upon future date. The security purchased is the collateral protecting the investment.

8.4 **Prime Commercial Paper:** An investment used by corporations to finance receivables. A short-term (matures in 270 days or less) unsecured promissory note is issued for maturity specified by the purchaser. The City will only invest in commercial paper that has the highest rating of two (2) of the three (3) rating agencies.

8.5 Any security which is a **general obligation of the State of Minnesota** or any of its municipalities.

8.6 **Bankers Acceptances** of United States banks eligible for purchase by the Federal Reserve System.

8.7 **Investment Pools:** Governmental sponsored pools and money market mutual funds are allowable short-term cash management facilities. These pools/funds can provide safety, liquidity and yield in a single investment instrument. However, the City will follow due diligence standard which applies to the use of pools/funds. A thorough investigation of the pool/fund is required prior to investing. Currently the City uses the Minnesota Money Market Mutual Fund (4M) sponsored by the League of Minnesota Cities.

8.8 **Mutual Funds:** Shares of an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 whose portfolio consists of direct obligations or are guaranteed issued of the United States, its agencies or instrumentalities. ***Effective January 1, 1997, mutual funds will be limited to funds held as of December 31, 1996, or a funds whose portfolio consists of the aforementioned obligations with a maturity of thirteen (13) months or shorter. Reinvestment of dividends paid from a fund holding obligation maturing beyond thirteen months will be prohibited.*** Generally speaking, participation in this investment type shall maintain a target balance of 15-20% of the portfolio and staff shall exercise discretion in setting mutual fund investment levels given market conditions and cash flow projections.

Investing in mutual funds is deemed long term and local restrictions therefore, prohibit the purchase of shares from any **general debt service fund** or any other city funds anticipating investment proceeds within a 36 month period and forcing the liquidation of shares in an unfavorable market.

9.0 **Collateralization:**

Collateralization will be required on two types of investments: certificates of deposit where the par value exceeds the Federal Deposit Insurance Corporation (FDIC) coverage limit, and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be at least 10 percent more than the amount on deposit at the close of the financial institution's banking day, except when the collateral is irrevocable standby letters of credit issued by Federal Reserve Banks. In that case, the amount of collateral must be at least equal the amount of deposit.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement or physically remitted to the City. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

10.0 **Safekeeping and Custody:**

All security transactions entered into by the City of Willmar shall be held in safekeeping by the respective investment dealer on behalf of the City of Willmar and evidenced by safekeeping receipts. Each investment dealer must provide evidence to the City of possessing customer account insurance protection of $500,000 from Securities Investor Protection Corporation (SIPC) plus other insurance totaling at a minimum $10,000,000 per account.

11.0 **Diversification:**

The City will diversify its investments by security type and institution. No more than **40%** of the City's total deposits will be invested with a single financial institution or broker/dealer on the day of purchase.

12.0 **Maximum Maturities:**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 10 years from date of purchase. Funds dedicated to capital projects anticipated to be completed within one year shall not be invested in instruments maturing beyond one year. Reserve funds may be invested in securities exceeding 10 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

13.0 **Internal Control:**

The development of a system of internal controls shall be established by the City Finance Director.

The City Finance Director shall assist in an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 **Performance Standards:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

14.1 **Market Yield (Benchmark):** The City's investment strategy is active and mildly aggressive, yet it always yields to the objective of safety of principal. Given this strategy, the basis used by the City Finance Director to determine whether market yields are being achieved shall be the annual goal of one and one-half (1 ½) percent above the annualized earnings at the Fed Funds rate during the year.

15.0 **Reporting:**

The Finance Director shall provide to the City Council quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The report should include comments on the markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies.

Schedules in the quarterly report should include the following:

-A listing of individual securities held at the end of the reporting period by authorized investment category
-Average life and final maturity of all investments listed
-Coupon, discount or earnings rate
-Par value and Market Value

16.0 **Investment Policy Adoption:**

The City of Willmar investment policy shall be adopted by resolution of the Willmar City Council. The policy shall be reviewed annually by the Finance Committee and any modifications made thereto must be approved by the City Council.

CITY OF WILLMAR

FUND BALANCE POLICY

Adopted: February 4, 2013
Revised: May 4, 2015
Revised: July 5, 2016
Revised November 5, 2018

Revised February 18, 2020

I. PURPOSE

The purpose of this policy is to establish the specific guidelines for the level of fund balances available for current and future spending in the governmental funds. The fund balance policy addresses a minimum level of unrestricted fund balance to be maintained, how the unrestricted fund balance can be used or spent down and how that fund balance will be replenished if it falls below the minimum level. In addition, the City sets a stabilization amount for use in emergency situations or when revenue shortages or budgetary imbalances arise. The policy also addresses when fund balances will be restricted to specific purposes. For the purpose of this policy any reference to the City Administrator shall mean the City Administrator or his or her designee.

II. BACKGROUND

Government Accounting Standards Board (GASB) Statement No. 54 was enacted to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In governmental funds, a City should identify fund balance separately between non-spendable, restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Proprietary funds' equity will be managed as a separate business-like enterprise as allowed by U.S. Generally Accepted Accounting Principles (GAAP). The funds will be monitored through operations and their rate structures. Examples of Proprietary funds include Hospital, Municipal Utilities, and Sewer. Proprietary fund balances will be classified as either invested in capital assets net of related debt, restricted or unrestricted.

III. CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Non-Spendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventory, prepaid items, endowments and land held for resale.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws

or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation. Examples include bond or grant proceeds, tax increments and park dedication fees.

3. Committed

- Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.

- The City's highest level of decision making authority (City Council) will annually or as deemed necessary commit specific revenue sources for specified purposes by formal action. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period. A committed fund balance cannot be a negative number.

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General fund includes amounts that are intended to be used for specific purposes.

5. Unassigned

- Unassigned fund balance represents the residual classification for the General fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount.

    a. The City will maintain an unrestricted fund balance in the General fund of an amount not less than $4,000,000 Working Capital, $1,000,000 Self Insurance, and $2,000,000 Stabilization of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

    b. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by property taxes (funding source) within five years (period over which replenishment will occur).

IV. STABILIZATION ARRANGEMENTS

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

V. MONITORING AND REPORTING

The City Council shall annually review fund balances in relation to this policy in conjunction with the development of the annual budget.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When unassigned, assigned or committed resources are available for use, it is the City's policy to use resources in the following order; 1) Unassigned, 2) Assigned, and 3) Committed.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General fund.

VI. GOVERNMENTAL FUND DEFINITIONS

GASB Statement 54 provides clarification of the governmental funds definitions. The definitions are added to the fund balance policy to clearly define their reporting requirements. It is also important to understand the fund classification when determining the classification of their fund balances.

General Fund – Used to account for all financial resources not accounted for in another fund.

Special Revenue Funds – Used to account for reporting the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects).

- One or more specified restricted or committed revenues are the foundation for the fund (comprise a substantial portion of fund's inflows).
- Other inflows (i.e. interest and transfers) may be reported in fund, if restricted, committed or assigned to the specified purpose of the fund.
- Restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of inflows of the fund.
- Exception for specific revenue rules – General fund of Blended Component Unit (EDA).

Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments.

Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

VII. ENTERPRISE FUND EQUITY

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the City intends the cost of providing goods or services to the public be financed or recovered primarily through user charges. The City's enterprise funds include the Willmar Municipal Utilities and Sewer funds.

It is the City's intent to cover all operating and non-operating expenses through user charges to eliminate the impact on taxpayers. User charges will be reviewed annually to ensure adequate rates are charged for the services provided.

Enterprise funds' equity will be classified in one of the following categories:

- *Investment in Capital Assets, Net of Related Debt.* The component of net assets which is the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of the capital assets.
- *Restricted.* The component of net assets which is the difference in assets and liabilities of proprietary funds that consist of assets with constraints placed on their use by either external parties (i.e. creditors or grantors) or through constitutional provisions or enabling legislation.
- *Unrestricted.* The difference between the assets and liabilities of proprietary funds that is not reported as Investment in Capital Assets, Net of Related Debt or Restricted Net Assets.

The City Council will not establish a minimum required level for equity in proprietary funds other than the funds should cover their own operating and non-operating costs.

IV. OTHER POLICY CONSIDERATIONS

The City will use all *budgetary and financial accounting options* available to maintain the minimum level of fund balance available for appropriation in the General and Special Revenue Funds. Some options available include the following items:

- A specific budgeted revenue increase (i.e. ad valorem property tax increase).
- Increase fees for services.

- Reduction of expenditures in the budget.
- Transfers from other available funds.
- Sale of capital assets.
- Comply with City Charter Article III, Community Investment Fund sec. 5.51-5.57

The City Council requires positive fund balances for all governmental, proprietary and fiduciary funds, with a few exceptions. The Council will allow a negative fund balance in the following instances:

- A project may be in a developmental phase in which all anticipated revenues have not yet been received. It is anticipated the revenues will be received within the fiscal year or early the following fiscal year. The City Administrator will present anticipated revenue sources to the Council when a deficit occurs for this reason.
- An emergency occurred and all anticipated revenues to pay for the emergency have not been received yet. The City Administrator will keep a current listing of anticipated revenue sources to pay for the emergency.
- Pledges for a project are expected to be received over a period of time. In this case, a long-term receivable may be recorded if the pledges are assured to be received. If the receipt of the pledges is not guaranteed, the receivable cannot be recorded. The project (fund in some cases) will carry a negative balance until all pledges are received.
- An inter-fund loan is not appropriate or not available to cover the fund deficit.

The City Administrator will report shortfalls or surpluses in the projected fund balance levels to the City Council as soon as found to be a significant impact.

If a *fund deficit* occurs, a written plan by the City Administrator to move the fund out of the deficit is required. The City Council is responsible for reviewing and approving the financial plan. The City Administrator will monitor the plan's effectiveness on a monthly basis. The City Administrator will report the plan's effectiveness to the City Council on a quarterly basis.

A *fund surplus,* above all internal and external constraints, may also occur. In this case, the Administrator will notify the City Council to discuss the circumstances of the surplus and determine whether or not the established threshold is effective. Some appropriate plans for using fund surpluses include the following items (but are not limited to):

- Move budgeted expenditure into a future year due to unforeseen circumstances.
- Fund a one-time project or project planning that would not normally be budgeted in the on-going operations of the City.
- Return unused dollars to donors.

- Transfer excess funds to another City fund to finance a project or cover a shortfall.

The City's *credit rating* for debt financing and investing will also be considered in the level of required General fund balance. The City Council may further restrict the required fund balance level to meet a higher credit rating need if possible. The City's credit rating is reviewed annually by the City Administrator, Finance Director, and bond counsel when necessary. The City Administrator shall be responsible for conducting rating reviews.

IV. REPORTING REQUIREMENTS

The City's audit firm shall provide a City presentation of the previous year's financial condition in the modified and full accrual basis of accounting after the audit is completed. Any deficiencies presented by the auditor will be followed up by the City Administrator with a written plan to comply with this policy. The audit presentation will occur before June 30th following the previous year's end.

Governmental Fund Balances Detail:

Fund	Nonspendable	Restricted	Committed	Unassigned
General Fund				
Prepaids/Deposits	$ 261,217	$ -	$ -	$ -
Working Capital	-	-	4,000,000	-
Year 2020	-	-	1,739,084	-
Year 2021	-	-	998,614	-
Retirees Vacation/Sick Leave Held	-	-	196,983	-
Self-Insurance	-	-	1,000,000	-
Petty Cash	-	-	3,850	-
Current Employees Sick Leave	-	-	1,370,202	-
Current Employees Vacation	-	-	427,979	-
Retiree Insurance BuyOut	-	-	375,820	-
Next Year's Budget	-	-	1,000,000	-
Current Year Emergency	-	-	1,000,000	-
Special Revenue Funds				
Industrial Development	-	-	773,447	-
Industrial Development-CP Airport	-	-	17,110	-
Industrial Development-P.I.R.	-	-	1,000,000	-
CVB-Prepaids	7,343	-	-	-
CVB	-	-	298,785	-
CVB-Petty Cash	-	-	50	-
Local Option Sales Tax Projects	-	-	402,773	-
Willmar Municipal Airport	266	-	111,438	-
Library Improvement Reserve	-	-	171,518	-
Willmar Main Street	58	-	15,266	-
Bike Share Program	-	-	9,600	-
Community Investment	-	-	9,839,151	-
Community Investment-PIR	-	-	750,000	-
Public Works Reserve	-	-	255,344	-
Law Enforcement Forfeiture Fund	-	34,905	-	-
Law Enforcement Human Trafficking	-	390	-	-
Law Enforcement Explorer Fund	-	12,013	-	-
Law Enforcement CERT Fund	-	10,504	-	-
Fire Department Explorer Fund	-	6,999	-	-
Debt Service Funds				
Special Assessments Funds	-	6,942,041	-	-
Rice Memorial Hospital	563,396	6,461,773	-	-
Nonmajor Airport Debt Service	183,645	-	-	(1,500)
Nonmajor G.O. Bond R22 Refrigeration	-	146,986	-	-
Tax Increment Bonds	-	49,241	-	-
Capital Projects Funds				
Street Projects	-	-	2,184,706	-
Nonmajor Capital Improvements				
Local Option Sales Tax Projects	-	-	67,489	-
Airport	-	-	154,427	-
G.O. Bond R22 Refrigeration	-	-	366,557	-
Capital Improvements - Other	-	-	940,969	-
Permanent Funds	30,000	2,635	-	-
Totals	**$ 1,045,925**	**$ 13,667,487**	**$ 29,471,162**	**$ (1,500)**