RESOLUTION NO. 3649-09

ESTABLISHING AN UNDESIGNATED FUND BALANCE GOAL
FOR THE GENERAL FUND

WHEREAS, the City of Foley, Alabama desires to establish an undesignated minimum fund balance goal for the General Fund in preparation of financial demands which can be caused by a major natural disaster or other unforeseen event.

WHEREAS, the attached document titled *General Fund Minimum Undesignated Fund Balance Goal* establishes procedures for calculating current and future minimum fund balance goals.

WHEREAS, the City of Foley, Alabama currently carries a Reserve Fund Balance of $1,517,450 that is no longer appropriate under current Governmental Accounting methods.

BE IT RESOLVED by the Foley City Council as follows:

Section 1. Establishes an FY09 General Fund minimum undesignated fund balance goal of $5,500,000, and future fund balance goals equal to 25% of the annual budgeted expenditures, including operational and debt service/other expenditures.

Section 2. Adopts the attached *General Fund Minimum Undesignated Fund Balance Goal* document as the guideline for computing the minimum fund balance goal.

Section 3. Restates the $1,517,450 currently shown as Reserved on the General Fund Balance Sheet to be shown as Undesignated Fund Balance.

PASSED, ADOPTED AND APPROVED this 2nd day of March, 2009.

John E. Koniar, Mayor

ATTEST:

Perry Wilbourne

A. Perry Wilbourne
City Clerk/Administrator

CITY OF FOLEY, ALABAMA
General Fund Minimum Undesignated Fund Balance Goal
March 2, 2009

The following formula establishes the percentage for calculating the City's future minimum fund balance for the General Fund:

General Fund FY09 Proposed Amended Budget:	
Operational Expenditures	$20,144,572
Debt Service/Other	$ 1,534,775
Total Budgeted Operation and Debt Expenditures	$21,679,347
Indicated Minimum Required Fund Balance	$ 5,500,000
Percentage of Minimum to Expenditures (to be used for Future Calculations)	25%

The Proposed Amended Budget figures available as of February 26th, 2009 are Management's best estimate of FY09 General Fund operations at this time. Although the budget is not officially adopted, Management feels that any adjustments made prior to adoption will not be material enough in nature to affect the minimum fund balance percentage.

Operational expenditures are normal operating expenses, including annual repair and replacement. If a budgeted capital item(s) is a new addition and/or costs in excess of $500,000, individually or collectively, Management may elect to omit the item(s) from Operational Expenditures for purpose of the minimum fund balance calculation.

Debt Service/Other includes payments for the retirement of bond issues, leases including property from City Boards or Authorities, and amounts provided to assist Governmental Funds that are established to provide a Public Service such as the Recreational Activities Fund.

Although amendments to budgeted expenditures are made throughout the year, the fund balance goal shall remain the same based on the Original Annual Budget. In the event an Amended Annual Budget must be adopted, the minimum fund balance goal will be recomputed.

The most recent major natural disaster, Hurricane Ivan, indicated to Management that an amount near $5,000,000 was needed to operate successfully until FEMA and State funding was received.

The following procedure will be used for computing minimum fund balance goals for the City's General Fund:

The current FY09 minimum Fund Balance Goal is $5,500,000.
Future minimum fund balance calculations are as follows:
Operational Expenditures + Debt Service = Total Expenditures X 25% = Minimum Fund Balance
(calculation to be periodically reviewed and updated as needed)

FINANCE DIVISION

Vickey Southern

From: Perry Wilbourne [apwdesk@gulftel.com]
Sent: Monday, March 02, 2009 2:18 PM
To: 'Sue Steigerwald'; 'Vickey Southern'
Subject: RE: Min Fund Balance

Looks very good. It is a resolution so it should read "Be It Resolved ..." rather than "Be It Ordained ....". Vickey let's pass this out at today's work session. Sue please attend in case there are questions. Thanks

Perry

From: Sue Steigerwald [mailto:suecity2@gulftel.com]
Sent: Monday, March 02, 2009 1:27 PM
To: 'Bob Young'
Cc: 'Vickey Southern'; 'Perry Wilbourne'; 'Sandra Pate'
Subject: RE: Min Fund Balance

Attached is the draft resolution establishing the min fund bal goal, procedure for setting the goal, and re-statement of old $1.5 mil from reserved to undesignated fund balance.

I added one thing (very last sentence) to the Min Fund Bal Procedures (attached) to allow for review and update to the calculation.

If you bless, we will pass tonight.

From: Bob Young [mailto:BobYoung@fralan.com]
Sent: Monday, March 02, 2009 11:17 AM
To: Sue Steigerwald
Subject: RE: Min Fund Balance

I'll bet the GFOA manual couldn't do it better!!!!!!!!!!!!!!!!!!!!

Robert H. Young, Jr., President
The Frazer Lanier Company
300 Water Street (36104)
P. O. Box 5190
Montgomery, AL 36103
(334)265-8483
(800)223-2631
(334)265-8524 (fax)
bobyoung@fralan.com

From: Sue Steigerwald [mailto:suecity2@gulftel.com]
Sent: Monday, March 02, 2009 12:03 PM
To: Bob Young
Subject: Min Fund Balance

Bob, attached is the procedure for minimum fund balance. I know it's kind of lengthy, it's the Accountant in me! When I added the debt service and assistance to funds for public service, it changed the percentage to a boring 25%.

Let me know what you think.

Sue Steigerwald
Finance Division Supervisor/Treasurer
City of Foley
PO Box 1750
Foley, Alabama 36536
suecity2@gulftel.com
www.cityoffoley.org
251.970.5011

Vickey Southern

From: Sue Steigerwald [suecity2@gulftel.com]
Sent: Friday, February 27, 2009 6:08 PM
To: 'Bob Young'; 'Sandra Pate'
Cc: 'Jessica Nelson'; 'Perry Wilbourne'; 'Vickey Southern'
Subject: RE: Audits
Attachments: Establishing a Fund Balance Goal 03-02-09.docx

After speaking to Bob Young and receiving his email below, I revised the fund balance goal resolution. The $5.5 mil represents what we have proven to be the amount needed to get through a major event such as a hurricane It represents 27.3% of our amended General Fund budgeted expenditures for FY09.

Please let me know if this is okay or if any of you wish to reduce the minimum fund balance to an amount between 20-25% of the amended budgeted expenditures.

Thanks,
Sue

From: Bob Young [mailto:BobYoung@fralan.com]
Sent: Friday, February 27, 2009 4:00 PM
To: Sue Steigerwald; Sandra Pate
Cc: Jessica Nelson; Perry Wilbourne; Vickey Southern
Subject: RE: Audits

I am out of town today but find no attachment to your email.

First of all, 33% is a HUGE fund balance goal. Minium of 20-25% would be great. It is "Undesignated" and can be based on revenues or expenditures. Expenditures seems the best to me. Expenditures should include normal operations including normal repair and replacement, not major capital.

Sue told me today that you all see $5 million+ as needed due to that being what you needed for Ivan. Taht is fine as a goal.

From: Sue Steigerwald [mailto:suecity2@gulftel.com]
Sent: Fri 2/27/2009 1:23 PM
To: 'Sandra Pate'; Bob Young
Cc: 'Jessica Nelson'; 'Perry Wilbourne'; 'Vickey Southern'
Subject: RE: Audits

Will this be a reserved or undesignated fund balance? Current reserved fund balance (designated for contingencies) is $1,517,450 and has not been increased since fiscal year ended September 30, 1997. The total undesignated fund balance as of January 31, 2009 is $9,427,755 for a total current fund balance of $11,045.205. Will the goal be based on the Original Budget, or for this year the Amended Budget, or will adjustments to budgeted expenditures throughout the year affect the fund balance goal?

Thanks for your clarification.
Sue

From: Sandra Pate [mailto:skpdesk@gulftel.com]
Sent: Friday, February 27, 2009 11:44 AM
To: 'Bob Young'

Cc: 'Jessica Nelson'; 'Sue Steigerwald'; 'Perry Wilbourne'; 'Vickey Southern'
Subject: RE: Audits
Importance: High

Bob,

Sorry for the delay. Please review attached. Are we on the right track? Perry wants to do the Fund Balance Goal at Monday's work session. He gave me the figure for 33% of the General Fund Operating Expenditures yearly (see attached resolution). Are we on the right track or does this need to be stated some other way?

With regard to the audit reports, I can send them to you electronically (PDF files), or we will be happy to print them and snail mail them to you. Which would you prefer?

I will most likely be out of the office on Monday. By copy of this e-mail, I am asking Jessica Nelson to follow up with you on Monday so we can be sure to have a good resolution for Monday's meeting.

Thanks,
Sandra

From: Bob Young [mailto:BobYoung@fralan.com]
Sent: Tuesday, February 24, 2009 11:20 AM
To: Sandra Pate
Subject: Audits

I need 3 copies of the 04-08 audits to send to the rating agencies and the insurer; do you have that many of each? If not, I can make copies.

Robert H. Young, Jr., President
The Frazer Lanier Company
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P. O. Box 5190
Montgomery, AL 36103
(334)265-8483
(800)223-2631
(334)265-8524 (fax)
bobyoung@fralan.com

Sandra Pate

From: Sandra Pate [skpdesk@gulftel.com]
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RESOLUTION NO. _____

A Resolution Establishing a Fund Balance Goal

Therefore, Be It Resolved this 2nd day of March, 2009 that the City of Foley establishes a Fund Balance Goal of 33% of General Fund Operating expenditures yearly.

Passed, Adopted and Approved this 2nd day of March, 2009.

____
John E. Koniar, Mayor

ATTEST:

____
A. Perry Wilbourne
City Clerk/Administrator