



# CITY OF ALBION CITY COUNCIL MEETING AGENDA

Meetings: First and Third Mondays – 7:00 p.m.

City Council Chambers ♦ Second Floor ♦ 112 West Cass Street ♦ Albion, MI 49224

## COUNCIL-MANAGER GOVERNMENT

Council members and  
other officials normally in  
attendance.

**Joseph V. Domingo**  
Mayor

**Maurice Barnes, Jr.**  
Council Member  
1<sup>st</sup> Precinct

**Lenn Reid**  
Council Member  
2<sup>nd</sup> Precinct

**Garrett Brown**  
Council Member  
3<sup>rd</sup> Precinct

**Rebecca Decker**  
Council Member  
4<sup>th</sup> Precinct

**Cheryl Krause**  
Council Member  
5<sup>th</sup> Precinct

**Andrew French**  
Mayor Pro Tem  
Council Member  
6<sup>th</sup> Precinct

**Sheryl L. Mitchell**  
City Manager

**The Harkness Law Firm**  
Atty Cullen Harkness

**Jill Domingo**  
City Clerk

## AGENDA

**Study Session  
Mayor's Office**

**Monday, June 27, 2016**

**6:30 P.M.**

### PLEASE TURN OFF CELL PHONES DURING MEETING

- I. CALL TO ORDER
- II. ROLL CALL
- III. ITEMS FOR INDIVIDUAL DISCUSSION
  - A. Albion Trust Agreement
  - B. Budget
    1. Fund Balance Policy
    2. Declining Revenue Impact on General Fund
    3. Calhoun County Sheriff's Office info on Police Service
    4. Pre-Approval of Monthly Payables
- IV. CITIZENS COMMENTS (Persons addressing the City Council shall limit their comments to no more than five (5) minutes. Proper decorum is required.)
- V. ADJOURN

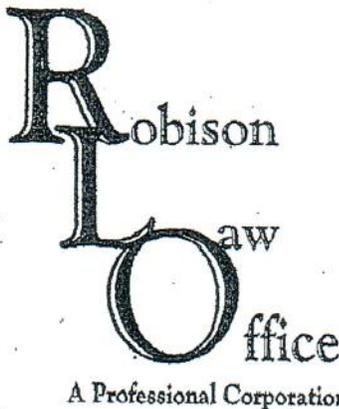
NOTICE FOR PERSONS WITH  
HEARING IMPAIRMENTS  
WHO REQUIRE THE USE OF A  
PORTABLE LISTENING DEVICE

Please contact the City  
Clerk's office at  
517.629.5535 and a listening  
device will be provided  
upon notification. If you  
require a signer, please  
notify City Hall at least five  
(5) days prior to the posted  
meeting time.

Charles A. Robison  
[crobison@vovager.net](mailto:crobison@vovager.net)

Mark J. Robison  
[mjrobison@vovager.net](mailto:mjrobison@vovager.net)

Jannette L. Shaffer, LA  
[jshaffer@vovager.net](mailto:jshaffer@vovager.net)



Business Address:  
911 North Eaton Street  
Albion, MI 49224

Mailing Address:  
P. O. Box 750  
Albion, MI 49224  
(517) 629-2171  
Fax: (517) 629-3289

August 5, 2003

To: Hon. Mayor and Council

From: Albion Trust  
Ann Rosenbaum Petredean, Trustee  
Janet Lazar, Trustee  
Charles A. Robison, Trustee

Re: Albion Trust

Enclosed please find a copy of the fourth account for the above trust for the cumulative period of July 1, 2002, through June 30, 2003. As indicated on page seven (7) of the enclosed account, the current value of the trust in the amount of \$1,733,118.20 indicates the current value of the assets while the carrying value indicates the cost of our investment with Paine Weber, the difference of \$262,908.56 represents a gain in value.

Additionally, I have been advised by the City of Albion that the sum necessary to defease the principal and accrued interest on the Senior Citizens Bonds is \$311,937, as of June 30, 2003.

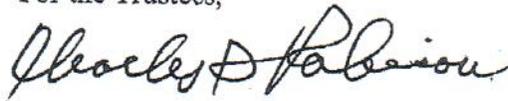
The first priority of the trust assets are to defease the outstanding indebtedness of the Senior Citizens Bonds. Therefore, the sum of \$1,421,481.20 is available for the other purposes set forth in the Trust. We are setting forth below the purposes of the Trust as they are prioritized:

2. The TRUSTEES shall distribute to, or use for the benefit of the GRANTOR (City of Albion), all or any portion of the principal of this trust to the GRANTOR for any of the following purposes:
  - A. For the payment of the principal of and interest and redemption premiums, if any, on the Albion Building Authority Building Authority Bonds (Senior Citizens Housing) dated as of September 1, 1978, or any bonds issued to refund such bonds;

- B. For the purposes of improving, expanding, maintaining, repairing, replacing or reconstructing any structure or improvement which comprises a part of the Maple Grove Apartments ("Maple Grove Apartments") located at 1041 Maple Street, Albion, Michigan, 49224;
- C. For repair, replacement or reconstruction of the Maple Grove Apartments which is occasioned by a fire, tornado or other calamity or disaster;
- D. To the extent that the principal of this trust is not needed for any of the purposes listed in sub-sections A., B., and C, of this section, for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining buildings, automobile parking lots or structures, recreational facilities, stadiums, and the necessary site or sites therefor, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, and for any and all other purposes authorized and permitted by Act 31, Public Acts of Michigan, 1948 (First Extra Session), as it may be amended from time to time, for use of any legitimate public purpose of the GRANTOR.

If you have any questions, please let us know.

For the Trustees,



Charles A. Robison, Trustee

EXPIRES 2016

CITY OF ALBION  
SENIOR CITIZENS HOUSING FACILITIES TRUST

THIS IRREVOCABLE TRUST AGREEMENT, is made this \_\_\_\_\_ day of \_\_\_\_\_, 1996, between CITY OF ALBION, a Michigan municipal corporation organized and existing under the Constitution and laws of the State of Michigan ("GRANTOR"), and Lewis J. Steinbrecher, Charles A. Robison, and Jan Lazar (collectively, the "TRUSTEES"). The GRANTOR hereby transfers to the TRUSTEES the property described in Schedule A attached hereto, comprised of money or securities in the aggregate principal sum of \$ \_\_\_\_\_. The GRANTOR reserves the right to make additions to this trust from time to time, by transferring same to the TRUSTEES. That property, and any other property that may be received by the TRUSTEES ("Trust Property"), shall be held and disposed of as follows:

ARTICLE I

This instrument is irrevocable.

ARTICLE II

1. The TRUSTEES shall set aside the Trust Property in trust to be held in accordance herewith.
2. The TRUSTEES may distribute to, or use for the benefit of the GRANTOR, all or any portion of the principal of this trust to the GRANTOR for any of the following purposes:
  - A. For the payment of the principal of and interest and redemption premiums, if any, on the Albion Building Authority Building Authority Bonds (Senior Citizens Housing) dated as of September 1, 1978, or any bonds issued to refund such bonds;
  - B. For the purposes of improving, expanding, maintaining, repairing, replacing or reconstructing any structure or improvement which comprises a part of the Maple Grove Apartments ("Maple Grove Apartments") located at \_\_\_\_\_ Street, Albion, Michigan, 49224;
  - C. For repair, replacement or reconstruction of the Maple Grove Apartments which is occasioned by a fire, tornado or other calamity or disaster;
  - D. To the extent that the principal of this trust is not needed for any of the purposes listed in sub-sections A., B., and C. of this section, for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining buildings, automobile parking lots or structures, recreational facilities, stadiums, and the necessary site or sites

therefor, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, and for any and all other purposes authorized and permitted by Act 31, Public Acts of Michigan, 1948 (First Extra Session), as it may be amended from time to time, for use of any legitimate public purpose of the GRANTOR.

3. The TRUSTEES may distribute to the GRANTOR all or any portion of the net income of this trust. The TRUSTEES shall add any undistributed income to the Trust Property.

4. Unless earlier terminated, this Trust shall continue in accordance with the terms hereof for a period of TWENTY (20) years from the date of execution of this Agreement.

5. This Trust shall terminate, prior to the lapse of the trust term designated in Section 4, Article II, upon the TRUSTEES' receipt of a written opinion of counsel for GRANTOR, that the income, principal or any part of this Trust, is subject to taxation or rebate under the Internal Revenue Code of 1986, as amended, or any successor provisions.

6. This Trust shall also terminate, prior to the lapse of the trust term designated in Section 4, Article II, upon the request of GRANTOR, when the Maple Grove Apartments are no longer in operation as senior citizens housing, or are no longer in operation by the GRANTOR or by a municipal entity designated by the GRANTOR.

7. This Trust shall also terminate, prior to the lapse of the trust term designated in Section 4, Article II, if for any reason a court of competent jurisdiction finds that the creation of existence of this Trust, or the transfer of monies into this Trusts, is ultra vires beyond the powers conferred upon the GRANTOR by law.

8. Upon termination of this Trust, the TRUSTEES shall immediately distribute to GRANTOR, all of the then remaining principal and undistributed income of the Trust.

9. This Trust is intended to be a grantor trust, of which GRANTOR is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

#### ARTICLE III

1. The TRUSTEES shall expend all income or principal which is authorized by this Agreement by paying such sum over to GRANTOR for the limited uses permitted in accordance herewith. The receipt

by GRANTOR shall be a complete discharge to the TRUSTEES who shall not be responsible for the application of such payment.

2. The TRUSTEES shall not be required to obtain authority or approval of any court in the exercise of any power or discretion permitted under this AGREEMENT. The TRUSTEES shall not be required to file accountings with any court.

3. No person dealing with the TRUSTEES shall be obligated to inquire into the TRUSTEES' power or authority or into the validity of any act of the TRUSTEES, or be liable for the application of any money paid to the TRUSTEES in the management of the trust property.

4. The validity and effect of this AGREEMENT and the dispositions pursuant to this AGREEMENT shall be determined under the law of the State of Michigan.

#### ARTICLE IV

In addition to any powers given by law or otherwise, and not by way of limitation of any such powers, the TRUSTEES are authorized and empowered, at any time and from time to time, in the TRUSTEES' absolute discretion:

1. To select and retain a qualified bank and trust company to serve as custodian of the Trust Property under a custodial agreement for the purpose of safekeeping, investment and administration of the Trust Property. Said custodian shall be entitled to reasonable compensation for services in administering and distributing the estate or trust property, and to reimbursement for expenses.
2. To hold and retain all or any property received from the GRANTOR or any other source, without regard to any law or rule of court concerning diversification or risk;
3. To invest and reinvest the Trust Property in:
  - A. Government Obligations which shall mean direct obligations of the United States of America or obligations the principal and the interest on which are unconditionally guaranteed by the United States of America ("Government Obligations");
  - B. Bonds, debentures, or other evidences of indebtedness issued or guaranteed by the Government National Mortgage Association;
  - C. Mutual Funds composed of investment vehicles which are legal for direct investment by cities under Act 20, Public Acts of Michigan, 1943, as amended;

- D. Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation, or any savings and loan association in the United States whose deposits are insured by the Federal Savings and Loan Insurance Corporation, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000);
- E. Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by two nationally recognized rating agencies maturing in not more than 270 days, provided that not more than 50% of the Trust Property shall at any time be invested in commercial paper;
- F. Any repurchase agreement which by its terms matures not later than one year from its date of execution with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Government Obligations which shall at all times have a market value (exclusive of accrued interest) as estimated by the TRUSTEES of not less than one hundred four percent (104%) of the full amount of the repurchase agreement, dates of maturity not in excess of seven years and be delivered to the TRUSTEES or another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian, and the custodian must have a first lien on and retain possession of the collateral free and clear of all third party claims;
4. To sell, exchange, partition, or otherwise dispose of any property, at public or private sale, for such purposes and upon such terms, including options and sales on credit, with or without security;
5. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by the trust created hereby, for as long a period or periods of time and on

meeting; or (c) given by first class mail to each TRUSTEE not less than seventy-two (72) hours prior to the time of the special meeting.

7. Two TRUSTEES shall constitute a quorum, and all proceedings by the TRUSTEES shall require for favorable action a vote of two TRUSTEES. The TRUSTEES shall keep a journal of proceedings, which shall be signed by any TRUSTEE. Said journal shall show how each TRUSTEE voted and each TRUSTEE shall vote upon all motions and resolutions unless he is disqualified from voting thereon by reason of any direct or indirect personal interest as defined by the State of Michigan Conflict of Interest Laws.

8. Any action required or permitted by this trust may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, are signed by any two TRUSTEES. The written consents shall bear the date of signature of each TRUSTEE who signs the consent.

9. The TRUSTEES shall file with GRANTOR an accounting, at least annually. The TRUSTEES shall be entitled to reasonable compensation for services in administering and distributing the estate or trust property, and to reimbursement for expenses.

10. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

11. This trust is exempt from registration under the laws of Michigan.

This instrument is executed on the date first above written.

GRANTOR:

CITY OF ALBION, State of Michigan

Witnessed:

Midge Jacob

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

By Michael E. Williams

Its Mayor

By J. Lutz

Its City Clerk



Witnessed:

Mittie D. Jones

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TRUSTEES:

Lewis J. Steinbrecher  
Lewis J. Steinbrecher

Jan Lazar  
Jan Lazar

Charles A. Robison  
Charles A. Robison

DATED: \_\_\_\_\_, 1996

Approved Resolution of Version 3  
of Trust Agreement  
from 10/21/96  
CITY OF ALBION  
COUNTY OF CALHOUN, MICHIGAN  
RESOLUTION APPROVING  
TRUST AGREEMENT  
SENIOR CITIZENS HOUSING FACILITIES TRUST  
NO. 96-52.

Minutes of a regular meeting of the City Council of the City of Albion, County of Calhoun, State of Michigan, held in said City on the 21 day of October, 1996, at 7:00 p.m., prevailing Eastern Time.

PRESENT: Member Ken Waito, William Wheaton, Robert Kidder  
Kim Tunnichliff and Mayor Michael Williams

ABSENT: Member Lola Turner and Robert Thomas

The following preamble and resolution were offered  
by Member Ken Waito and supported by Member  
Kim Tunnichliff:

WHEREAS, the City of Albion (the "City"), acting through the Albion Building Authority has previously acquired, constructed, furnished and equipped the Maple Grove Apartments, which are senior citizen housing facilities ("Maple Grove Apartments"); and

WHEREAS, operation of the Maple Grove Apartments has generated funds not currently necessary for operation; and

WHEREAS, the City Council deems it to be in the best interest of the City to provide for the long term benefit of the Maple Grove Apartments by transferring excess project monies into a Senior Citizens Housing Facilities Trust (the "Trust"); and

WHEREAS, a proposed form of Trust Agreement establishing the Trust (the "Trust Agreement") has been presented to the City Council for consideration:

NOW, THEREFORE, BE IT RESOLVED THAT:

1. This City Council hereby determines that it is in the best interest of the City to establish the Trust, and that establishment of the Trust is a public purpose.
2. This City Council hereby approves the Trust Agreement as hereto attached: The Mayor and the City Clerk are authorized to execute the Trust Agreement.
3. The City Manager is hereby authorized and directed to transfer \$ \_\_\_\_\_ from \_\_\_\_\_ account to the Trust as the Trust Property under the provisions of the Trust Agreement.
4. The City Manager is hereby authorized and directed to pay costs of establishing the trust including payment of trustee fees, custodial fees, legal fees, accounting fees, and any other costs necessary to accomplish establishment of the Trust.
5. All resolutions and parts of resolutions insofar as the same conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES: Members Ken Watto, William Wheaton, Robert Kidder

Kim Tunnickliff and Mayor Michael Williams

NAYS: Members None

RESOLUTION DECLARED ADOPTED.

  
Clerk, City of Albion

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Albion, County of Calhoun, Michigan, at a \_\_\_\_\_ regular meeting held on October 21, 1996, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

  
Clerk, City of Albion

**Sample Fund Balance Policy**  
**Classification, Procedures and Appropriate Level**  
**Date Last Updated: February 2014**  
Page | 1

NOTE: Text in BLUE represents guidance points; text in BLACK represents example policy language. The [BLACK] text in parenthesis requires editing to your specific circumstances.

**Requirements and Best Practices**

GASB 54 requires certain actions by the governing body in order to establish a means to segregate fund balance for reporting purposes. In addition, although not required by any accounting standard, in order to ensure that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls, it is the recommended best practice that governments establish a minimum level of unrestricted fund balance in their general fund, along with policies related to use and replenishment of fund balance.

**Purpose**

The [entity name] believes that sound financial management principles require that sufficient funds be retained by the City/Township/Village/County to provide a stable financial base at all times. To retain this stable financial base, the organization needs to maintain a fund balance in the General Fund that is sufficient to fund all cash flows of the organization, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

The purpose of this policy is to establish a key element of the financial stability of the [entity name] by setting guidelines for fund balance. Fund balance is an important measure of economic stability. It is essential that the [entity name] maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the general operations of the [entity name].

In addition, this policy addresses the [entity name]'s requirements under GASB 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

**Definitions**

**Fund Balance** – A governmental fund's fund balance is the difference between its assets, deferred outflows and its liabilities and deferred inflows.

**Fund Balance Components** – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. Under GASB 54, these are broken up into five categories:

- 1) Nonspendable fund balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- 2) Restricted fund balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and dedicated millages.
- 3) 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.
- 4) Assigned fund balance – Amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the

**Sample Fund Balance Policy**  
**Classification, Procedures and Appropriate Level**  
**Date Last Updated: February 2014**  
Page | 2

amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- 5) Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Unrestricted fund balance - Unrestricted fund balance includes committed, assigned and unassigned fund balance categories. Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

### Policies

#### Minimum Unrestricted Fund Balance - General Fund

Establishing a formal policy that defines the appropriate level of fund balance is a best practice suggestion. GASB 54 does not require such a policy; but if an entity has a minimum fund balance policy, it must be disclosed. A fund policy should include the following:

- Appropriate level of unrestricted fund balance to be maintained in the general fund.
  - GFOA recommends that general-purpose governments incorporate in its financial policies that unrestricted fund balance in the general fund be no less than two months (16%) of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.
  - The size of the government may drive appropriate levels of fund balance - a larger government may find that fund balance doesn't need to be quite as high as GFOA recommends; in contrast, smaller governments may find that a more appropriate fund balance level for their organization is slightly higher than what GFOA recommends.
  - A government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level (for example, a March 31<sup>st</sup> year end entity whose recent tax collections are needed to sustain the organization through the next year should have a higher fund balance than a December 31<sup>st</sup> year end entity who will recognize its property tax levy as revenue at the beginning of its next fiscal year.)
  - Governments may also want to consider adding in their policies a maximum fund balance level to be maintained in the general fund.
- Circumstances in which unrestricted fund balances can be "spent down"
- Policy for replenishing deficiencies (source of funding and time period). If fund balance falls below a government's policy level, it is important to have a plan to replenish those levels that emphasizes replenishment as a financial management priority. Generally, a key part of a replenishment plan will be to control operating expenditures and use budget surpluses to replenish fund balance. The policy may define the revenue sources that would typically be looked to for replenishment of fund balance. This might include non-recurring revenues, budget surpluses and excess resources in other funds (if legally permissible). A replenishment plan will likely be more successful if it establishes replenishment milestones at various time intervals. This is especially important if replenishment is expected to take place over multiple years.
- Circumstances under which contingencies may be spent should be as specific as possible

The fund balance of the [entity]'s General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The [entity name]'s basic goal is to limit expenditures to anticipated revenue in order to maintain a balanced budget.

**Sample Fund Balance Policy**  
**Classification, Procedures and Appropriate Level**  
**Date Last Updated: February 2014**  
Page | 3

It is the goal of the [entity name] to achieve and maintain an unrestricted fund balance in the general fund equal to \_\_\_% - \_\_\_% [insert range] of expenditures. The use of fund balance is appropriate [describe when fund balances can be spent down; best practice is for one-time expenditures, to avoid creating a structural deficit.]

If unassigned fund balance falls below the goal or has a deficiency, the [entity] will... [describe the procedures for replenishing fund balance as well as a timeline]

Committed Fund Balance

- The [governing body] is the [entity name]'s highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the [governing body] at the [board/council] meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance

This is optional – governing bodies are not required under GASB 54 to designate anyone with the ability to assign fund balance amounts; if no other body or official has been provided with the authority to assign fund balance, that authority remains with the governing body itself.

- The [governing body] has authorized the [title of individual, name of body or other official] as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds (Spending Prioritization)

Under GASB 54, a government should determine the composition of its ending fund balance by applying its accounting policies regarding whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, the classification should be based on the government's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

A government is not required to specifically establish a spending prioritization policy. If a government does not establish a policy for its use of unrestricted fund balance amounts, the default policy under GASB 54 will apply. This default policy requires that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – [list the following in order of spending prioritization-restricted, committed, assigned, and unassigned.]

# Fund Balance Policy

The City of Ann Arbor believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. In order to do so, the City needs to maintain a fund balance sufficient to fund all cash flows of the City, to provide for financial reserves for unanticipated one-time expenditures, revenue shortfalls, and/or emergency needs.

**Purpose** The purpose of this policy is to specify the size and composition of the City's desired fund balance (net assets for enterprise funds) and to identify certain requirements for classifying fund balance in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

## Policy

1. **Classifications** The following individual components shall constitute the fund balance for all of the City's Governmental Funds:

Classification	Definition	Examples	
<b>Nonspendable</b>	"Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact." <sup>1</sup>	<ul style="list-style-type: none"> <li>• Inventories,</li> <li>• Prepaid items,</li> <li>• Long-term receivables</li> <li>• Permanent Endowments</li> </ul>	
<b>Restricted</b>	"Fund balance should be reported as restricted when constraints placed on the use of resources are either: <ol style="list-style-type: none"> <li>Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or</li> <li>Imposed by law through constitutional provisions or enabling legislation."<sup>2</sup></li> </ol>	<ul style="list-style-type: none"> <li>• Restricted by state statute,</li> <li>• Unspent bond proceeds,</li> <li>• Grants earned but not spent,</li> <li>• Debt covenants,</li> <li>• Taxes dedicated to a specific purpose, and</li> <li>• Revenues restricted by enabling legislation.</li> </ul>	
<b>Unrestricted</b>	<b>Committed</b>	"Used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority" <sup>3</sup>	<ul style="list-style-type: none"> <li>• Amounts City Council sets aside by resolution.</li> </ul>
	<b>Assigned</b>	"Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed" <sup>4</sup>	<ul style="list-style-type: none"> <li>• City Council delegates the authority to assign fund balance to the Chief Financial Officer.</li> <li>• City Council has appropriated fund balance during the budget process- this is titled "subsequent year's expenditures"</li> </ul>
	<b>Unassigned</b>	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned. <sup>5</sup>	

<sup>1</sup> GASB Statement No. 54, ¶ 6

<sup>2</sup> GASB Statement No. 54, ¶ 8

<sup>3</sup> GASB Statement No. 54, ¶ 10

<sup>4</sup> GASB Statement No. 54, ¶ 13

<sup>5</sup> GASB Statement No. 54, ¶ 17

## Fund Balance Policy

---

**Committing Fund Balance** In order to commit fund balance, the City Council, as the highest level of decision-making authority, must incorporate in a resolution the commitment of funds for specific purposes. These funds must be fully expended for their committed purpose or a separate action by Council for the funds to become uncommitted.

**Assigning Fund Balance** In order to assign fund balance, City Council designates the Chief Financial Officer, or his designee, as the authority to assign fund balance.

2. **Minimum Level of Fund Balance/Net Assets** The City will establish and maintain minimum levels of fund balance/net assets in each of the various fund types of the City as follows:
- a. **General Fund**- In the General Fund, there shall be a minimum balance (assigned and unassigned fund balance) of 8% to 12% of expenditures. For purposes of this calculation, the expenditures should be the budget as originally adopted in May of each year. Non-recurring revenues may be a source of accumulating fund balance and should not be relied upon for operational needs. The General Fund should seek to have recurring surpluses sufficient to fund the historic level of non-recurring expenditures. Fund balance may be higher than this minimum to save for large planned expenditures (i.e. capital projects, restructuring charges, etc), credit rating agency concerns, liquidity, and/or to address volatility in economic conditions.
  - b. **Special Revenue Funds**- Special revenue funds are created to account for the proceeds from specific revenue sources that are legally restricted for specific purposes (i.e. grants, weight and gas tax, dedicated millages). No specific reservation of fund balance is created by this policy. Rather, each fund must adhere to any underlying guidelines attached to that revenue source. The largest funds are:
    - i. Open Space Millage – fund balance is for the purpose of acquiring property as it becomes available at an affordable price.
    - ii. Construction Code Fund – it is desirable to have a minimum of nine months of operating expenditures in unassigned fund balance. In order to capture the cyclical effect of construction, a five year average of revenue and expense performance will be considered.
    - iii. Local and Major Street Funds – a one year's collection of the weight and gas tax revenues are held in fund balance. This allows us to leverage unanticipated/unbudgeted events such as harsh winters. In addition, it allows us a safety net for revenue collection from the State as well as the ability to provide matching dollars for state and federal aid projects.
    - iv. Street Repair Millage – a one year's collection of the repair millage are held in fund balance since this is a short-term millage and require frequent renewals from voters. This single year coverage would permit either an extended renewal or a smoother tail-off of funding from street

## Fund Balance Policy

---

repairs were renewal not approved at exactly the five year timeframe. In addition, the fund balance provides for the matching funds required to capture state and federal aid projects. The fiscal year end (June 30<sup>th</sup>) occurs during early construction season so at that point in the year, fund balance may appear artificially high since monies have been collected but not expended for projects within that construction season.

- c. **Debt Service Funds-** Debt service funds are very specific with the amount of fund balance required to be held. The reserve requirement for any outstanding bond issue will be consistent with the resolution or ordinance authorizing the bonds.
- d. **Capital Projects Funds-** Capital project funds are created to account for resources set aside to construct or acquire fixed assets or improvements. These projects may extend beyond one fiscal year. No specific reserve is required. However, the fund must ensure enough reserve exists to cover existing construction commitments for the oncoming year. Project funds will remain open until all claims on the project are settled.
- e. **Enterprise Funds-** Enterprise funds should strive for positive net operating income to provide for necessary operating (25% of operational expenditures) and capital reserves while maintaining sufficient debt service coverage ratios. A specific percentage or dollar amount will vary due to the following considerations:
  - i. Water – working capital, debt coverage, asset replacement, rate smoothing, and revenue volatility.
  - ii. Sewage Disposal – working capital, debt coverage, asset replacement, rate smoothing and revenue volatility.
  - iii. Stormwater Sewer – working capital, debt coverage, asset replacement, rate smoothing, and revenue volatility.
  - iv. Solid Waste – working capital, and asset replacement
  - v. Golf - working capital, and asset replacement
- f. **Internal Service Funds-** Internal Service funds, by nature, are designed to operate on a break-even basis for operations, while, if applicable, accruing additional funds to finance future capital costs or potential liabilities.
  - i. **Fleet Services, Central Stores (Radio) and Information Technology funds-** Funding is provided in an amount to fund the replacement of assets (i.e. vehicles, computers, software) at a level consistent with a depreciation-based methodology. Funding shall be designated to maintain the condition of assets at a desirable service level without shifting the costs disproportionately to future taxpayers.
  - ii. **Insurance Fund-** Funding is provided in an amount to fund the costs of employee benefits, worker's compensation, insurance claims and premiums, and safety. This fund calculates a reserve for IBNR (incurred but not reported) claims as determined by an actuarial calculation.

## Fund Balance Policy

---

3. **Replenishment of the General Fund Minimum Requirements** Should the minimum balance (assigned and unassigned fund balance as a percentage of total expenditures) fall below the 8% threshold for the General Fund, the City Council must approve and adopt a plan to restore this balance to the target level within a specific period of time. When developing a restoration plan, the following items should be considered in establishing the appropriate time horizon:
  - a. The budgetary reasons behind the fund balance targets
  - b. Recovery from an extreme event
  - c. Financial planning time horizon
  - d. Long-term forecasts and economic conditions
  - e. Milestones for gradual replenishment
  - f. External financing expectations
  
4. **Order of Resource Use-** In general, restricted funds are used first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. In addition, for unrestricted fund balance, the order of use of fund balance shall generally be: 1) committed; 2) assigned; and 3) unassigned.

# CITY OF ALBION

## TAXABLE VALUE DECLINE AND THE IMPACT ON THE GENERAL FUND

### 2015

	Original Spreadsheet Projection <u>(Oct/Nov 2014)</u>	Original Budget <u>(Oct/Nov 2014)</u>	Amended Budget <u>(Nov/Dec 2015)</u>	Actual Collections <u>(Feb/Mar 2016)</u>	<u>Variance</u>
Real Property	\$914,011				
Personal Property	<u>\$211,031</u>				
Sub-total	\$1,125,042				
Less TIFA Capture	(\$104,514)				
Less DDA Capture	<u>(\$4,898)</u>				
Total - Net Property Taxes	\$1,015,630	\$1,012,000	\$940,000	\$975,316	\$35,316

### 2016

	Original Spreadsheet Projection <u>(Oct/Nov 2015)</u>	Original Budget <u>(Oct/Nov 2014)</u>	Based On Assessing 2016 Taxable Value Released <u>(March 2016)</u>	Amended Budget <u>(??? 2016)</u>	Actual Collections <u>(Feb/Mar 2017)</u>
Real Property	\$813,832		\$800,452		
Personal Property	<u>\$188,856</u>		<u>\$160,262</u>		
Sub-total	\$1,002,688		\$960,714		
Less TIFA Capture	(\$95,279)		(\$54,768)		
Less DDA Capture	<u>(\$5,000)</u>		<u>\$0</u>		
Total - Net Property Taxes	\$902,409	\$902,000	\$905,946	\$0	\$0