

ORDINANCE O-20-09

AN ORDINANCE RELATING TO THE UNDESIGNATED FUND BALANCE OF  
THE GENERAL FUND

Introduced by Mayor Merkes

The Common Council of the City of Menasha does ordain as follows

SECTION 1: Sec. 3-1-3(c) (5) is recreated to read as follows:

The annual budget submitted by the Mayor and approved by the Common Council shall maintain the undesignated general fund balance at not less than 6% of general fund budgeted expenditures.

SECTION 2: This ordinance shall become effective upon its passage and publication as provided by law.

Passed and approved this    day of           , 2009

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Donald J. Merkes, Mayor

ATTEST:

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Deborah A. Galeazzi, City Clerk



MEMORANDUM

TO: Mayor Merkes, Council President Hendricks and the members of the  
City of Menasha Common Council

FROM: Tom Stoffel - Comptroller/Treasurer *ts*

DATE: 09/17/2009

SUBJECT: Undesignated General Fund Balance

Ten years ago the Mayor and Common Council put into ordinance form the Policy that the City would always have at least 10% of its General Fund Expenditures available in the City's undesignated General Fund balance. These funds were to be available in case of emergency and have been used for cash flow purposes and this Policy was recognized by Moody's Investors Service as an important part of their bond rating determination for the City.

For 2009, the Budgeted General Fund expenditures total \$16,724,947 and the City had an undesignated General Fund balance on 12/31/2008 of \$1,915,864 or 11.5% of the budgeted amount. Now as I stated earlier, the City uses those funds for cash flow purposes during the year. The City needs to have cash on hand in order to pay bills and meet payroll if revenues are not available as needed.

Although expenditures follow a pretty straightforward trend, revenues do not. In the case of Wisconsin municipalities, state aids, which make up 30%+ of the City's budget, do not come in evenly distributed. There is a very large, \$3,000,000 payment which comes in the last half of November annually. Now \$3,000,000 is about 18% of total revenue for the City. So if the City spends pretty evenly month by month, in mid-November 87.5% of its budget should be expended. But at the same time only 82% (100%-18%) will have been collected. That gap of 5.5% needs to be covered, and the City has been able to do that without borrowing in the past, relying on the cash available.

I am proposing that the City adjust its policy to retain only 6% of General Fund Expenditures in the undesignated General Fund Balance. The only reason I am

proposing the change at this time is to allow the City use of funds to pay for the expenses associated with the shutdown of the Menasha Steam Utility. This will decrease the amount required by ordinance from \$1,672,495 to \$1,003,497, there by freeing up almost \$670,000 for the purpose stated. I would rather not do this, but that does not help to solve the problem. I would ask that in the future, when the City can afford it, that the Common Council support an ordinance returning the undesignated General Fund balance to its former 10% level.