



CITY OF TONKA BAY
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ITEM NO. 9A

Memo

To: Mayor and City Council
From: Lindy Crawford, City Administrator
Carol Spoerner, Bookkeeper
Date: July 28, 2015
Re: Financial Transfers

Mayor De La Vega requested staff look into financial transfers. Staff has researched transfer options and made recommendations below.

4M Fund

Checking account (10100), current interest rate .02%

- Carries a substantial balance as a whole; but is actually broke out over all of our fund categories, some funds will actually run negative at certain times of the year because of the timing of revenue receipts.

Savings account (10406), current interest rate .05%

- Earns interest on account balances of \$5,000 or more.
- Monies moved into a savings category must remain for 30 days before being transferred again.

Managed Investments

Select Prime account (10411) (money market type account), current interest rate .06%

- Carries a balance as a whole; actually broke out over GF, WSR (Water/Sewer Reserves), Sewer Operating, Garbage, Liquor, Dock (handled like the checking account).

Various investments CD's (10410)

- CD's are staggered to mature over the next several years (currently 2016-2019).
- Reinvestment will be dependent on spending for capital improvement projects in the 2016 budget.

Fund Balance Concerns (as of May Financial Report)

Manitou Seawall Fund (408)

- The fund was created with \$48,000 General Obligation Improvement Bonds in 1979. Last activity recorded was interest in 2006.
- *Our auditor has confirmed that since the bonds have been retired and all debt has been paid, the remaining balance of \$2,727.55 may be used at the discretion of the City Council.*

Water Operating Fund (601)

- Currently running negative in checking account because second quarter revenues start arriving in July and additional expenditures incurred this year.
- Expenditures not budgeted for in 2015, are approximately \$22,030.

Emergency repair of service pump #2 cost	\$14,455
Locator equipment failed, needed replacement	\$1,900
Meter reader software was out of date by 2 years, updates cost	\$1,720
CO2 vacuum regulator	\$3,955

Liquor Fund (609)

- Holding a static negative balance in checking account.
- According to Resolution 9-23 the Liquor Fund is required to hold a minimum balance equivalent to \$278,000 (2009) plus CPI growth. For year-end 2015, that balance must be \$307,522.31. Our current balance is \$307,087.00.
- \$4,500 from the UBS Liquor Fund is needed to complete 2015 budget transfers. A full transfer will only happen if the fund balance is \$312,022.31. (Minimum balance requirement + transfer balance.) Anything less would require a smaller budget transfer amount.
- UBS CD's total \$309,000. 2015 interest receipts that will come in Jul, Aug, Sept, Dec, total approximately \$3,300.

Recycling Fund (652)

- The Recycling Fund is currently running negative in checking account and losing ground because fees are not covering expenses. It is staff's belief that residential fees were calculated based on the service provider's contract only. Unaccounted for is approximately \$5,000 in expenses for salaries, pensions, and insurance, per quarter.
- We should to do in-depth review of true operating cost when we look at the 2016 budget.
- Option to combine Recycling and Garbage funds (used 2015 rates as example)
 - **Con** – Solid Waste Management fees to residents would jump dramatically. Benefit to county and state only. Examples using current residential fees:

Garbage rate	\$45.01
Henn swm fee (9%)	\$4.05
MN swm tax (9.75%)	\$4.39
Recycling rate	\$26.54
Total Cost Today	\$79.99

Garbage & recycling rates combined (\$45.01 + \$26.54)	\$71.55
Henn swm fee (9%)	\$6.44
MN swm tax (9.75%)	\$6.98
Revised Total Costs if combined	\$84.97

- **Con** – Time needed to revise all payroll distribution costs and budget worksheets which currently use formulas to breakout expenses over multiple funds.
- **Pro** – Simply dealing with one fund.

Fund Movement Discussion

Monies 'wired' between financial institutions (4M Fund & UBS) incur charges depending on the amount wired. Last inquiry was \$25.00 minimum.

Fund balances in the 4M checking account are fluid and always changing. At certain times of the year funds do go negative.

General Fund Reserves for the year ending 2014 is 64.31%. This is up from 60.53% in 2013. The League of Minnesota Cities recommends maintaining a reserve of 35 to 50%. Staff's concern would be the cost of upcoming capital improvement projects the city has scheduled.

Fund revenues come from:

- County settlements are received from property taxes, capital improvement levies, delinquent utility charges, and misc. Funds are received in July and December with a small year-end adjustments in January of the following year. Funds affected are 101, 409, 601, 602, 603, 651, and 652.
- Utility billings are produced quarterly. The largest receipts come in January, April, July, and October. Funds affected are 601, 602, 603, 651, and 652.
- Dock revenues (617) are generally received February through May.

Staff Recommendations

Staff has attached financial reports from May, June, and as of Jul 22, 2015 for Council reference.

- Keep Garbage and Recycling funds independent. This saves our residents from higher solid waste management fees.
- Shift the Manitou Seawall Fund funds of \$2,727.55 to another fund. This would require a resolution.
- Per the above research, do not shift or combine any other funds besides the Manitou Seawall Fund.

Council Action

Discuss and direct staff for further action.

FINANCIAL REPORT
May 31, 2015

FUND#	FUND NAME	4M Fund		Managed Investments		FUND BALANCE
		0.02% CHECKING	0.05% SAVINGS	0.06% SAVINGS	CD's	
101	General Fund	11,111.98	3,470.90	1,883.38	293,850.00	310,316.26
301	Woodpecker Ridge Road Fund	0.00				0.00
406	Southshore Comm Ctr Fund	3,834.00				3,834.00
407	Park Fund	1,631.92	0.00			1,631.92
408	Manitou Seawall Fund	2,727.55				2,727.55
409	Capital Improvement Fund	14,340.88				14,340.88
411	Water/Sewer Reserve Fund	328,460.50	9,858.06	1,697.70	294,000.00	634,016.26
601	Water Operating Fund	(3,138.35)				(3,138.35)
602	Sewer Operating Fund	178,602.50	5,671.55	1,411.51	205,600.00	391,285.56
603	Garbage Fund	102,226.04			25,425.00	127,651.04
609	Liquor Store Fund	(3,972.32)		1,737.19	309,000.00	306,764.87
617	Municipal Dock Fund	101,387.69			127,125.00	228,512.69
651	Storm Water Drainage Fund	90,592.74				90,592.74
652	Recycling Fund	(30,626.76)				(30,626.76)
653	Antenna Fund	54,797.30				54,797.30
654	PEG Fund	5,603.13				5,603.13
		857,578.80	19,000.51	6,729.78	1,255,000.00	2,138,309.09

Current interest rate

FINANCIAL REPORT
June 30, 2015

FUND#	FUND NAME	4M Fund		Managed Investments		FUND BALANCE
		0.02% CHECKING	0.05% SAVINGS	0.06% SAVINGS	CD's	
101	General Fund	(47,790.25)	3,470.90	2,866.66	293,850.00	252,397.31
301	Woodpecker Ridge Road Fund	0.00				0.00
406	Southshore Comm Ctr Fund	3,834.00				3,834.00
407	Park Fund	1,631.92	0.00			1,631.92
408	Manitou Seawall Fund	2,727.55				2,727.55
409	Capital Improvement Fund	13,122.58				13,122.58
411	Water/Sewer Reserve Fund	328,460.50	9,858.06	3,241.46	294,000.00	635,560.02
601	Water Operating Fund	(21,392.70)				(21,392.70)
602	Sewer Operating Fund	158,518.18	5,671.85	1,471.55	205,600.00	371,261.58
603	Garbage Fund	94,638.72		272.57	25,425.00	120,336.29
609	Liquor Store Fund	(3,972.32)		2,059.32	309,000.00	307,087.00
617	Municipal Dock Fund	102,396.47		1,267.77	127,125.00	230,789.24
651	Storm Water Drainage Fund	90,523.80				90,523.80
652	Recycling Fund	(34,461.66)				(34,461.66)
653	Antenna Fund	58,308.62				58,308.62
654	PEG Fund	5,603.13				5,603.13
		752,148.54	19,000.81	11,179.33	1,255,000.00	2,037,328.68

Current interest rate

FINANCIAL REPORT
July Balances as of 7/22/2015

FUND#	FUND NAME	Current interest rate		4M Fund		Managed Investments		FUND BALANCE
		0.02%	0.05%	0.06%	CD's	SAVINGS	SAVINGS	
101	General Fund	317,109.92	3,470.90	2,866.66	293,850.00			617,297.48
301	Woodpecker Ridge Road Fund	5,432.15						5,432.15
406	Southshore Comm Ctr Fund	3,834.00						3,834.00
407	Park Fund	1,631.92	0.00					1,631.92
408	Manitou Seawall Fund	2,727.55						2,727.55
409	Capital Improvement Fund	43,769.87						43,769.87
411	Water/Sewer Reserve Fund	295,691.75	9,858.06	3,241.46	294,000.00			602,791.27
601	Water Operating Fund	(49,395.07)						(49,395.07)
602	Sewer Operating Fund	148,792.97	5,671.85	1,471.55	205,600.00			361,536.37
603	Garbage Fund	91,927.96		272.57	25,425.00			117,625.53
609	Liquor Store Fund	(3,972.32)		2,059.32	309,000.00			307,087.00
617	Municipal Dock Fund	101,788.88		1,267.77	127,125.00			230,181.65
651	Storm Water Drainage Fund	90,139.96						90,139.96
652	Recycling Fund	(39,442.89)						(39,442.89)
653	Antenna Fund	58,308.62						58,308.62
654	PEG Fund	5,603.13						5,603.13
		1,073,948.40	19,000.81	11,179.33	1,255,000.00			2,359,128.54