



Request for City Council Committee Action from the Departments of Regulatory Services and Finance

Date: February 7, 2011

To: Council Member Betsy Hodges, Chair – Ways & Means/Budget Committee

Subject: Revolving fund report

Recommendation: The proper City officials are directed to:

1. Establish financial policy that allows for a new nuisance abatement revolving fund and requires an unallocated minimum balance of 15% of the following year's revenue budget amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs.
2. Direct the Finance Department to maintain a listing of the allowable elements in the fund.
3. Direct the Finance Department to include the revolving fund balance with its quarterly reporting.
4. Increase 2011 revenue and expense appropriation for 01600-8351000 by \$360,000.
5. Increase 2011 expense appropriation by \$5,300,000 for 01600-8351000 funded from revolving account balance

Previous Directives: Regulatory Services and Finance were directed at the 2011 budget markup to return to Ways and Means/Budget by 2/1/11 with a report on the revolving account balance.

Department Information

Prepared by: Lee Larson, Regulatory Services & Heather Johnston, Finance

Approved by:

Rocco Forte, Director of Emergency Preparedness & Regulatory Services

Approved by:

Patrick Born, Finance Director

Presenters in Committee: Lee Larson and Heather Johnston

Reviews

- Permanent Review Committee (PRC): Approval N/A Date
- Civil Rights Approval Approval N/A Date
- Policy Review Group (PRG): Approval N/A Date

Financial Impact

- No financial impact
- Request provided to the Finance Department

Supporting Information

Please see attached report

Resolved by The City Council of The City of Minneapolis:

That the above-entitled resolution, as amended, be further amended by:

Increase 2011 revenue and expense appropriation for 01600-8351000 by \$360,000. and

Increase 2011 expense appropriation by \$5,300,000 on a one-time basis for 01600-8351000 funded from revolving account balance

Re-examination of Nuisance Abatement Revolving Account

Staff Direction: Regulatory Services and Finance are directed to report on the nuisance abatement revolving account within the general fund and develop fund balance policy recommendations for the account and report back to the Ways & Means/Budget committee by February 1, 2011.

- 1. Review elements included in revolving account and ensure elements are allowable by enabling ordinances, and also determine if additional elements should be included**
 - a. Recommendation: Adjust appropriations to correct 2011 to include ongoing functions and also to remove ineligible items for 2012, as follows:
 - Increase 2011 revenue and expense appropriation for 01600-8351000 by \$360,000 to allow for the MPD police officer in the Problem Properties Unit (\$100,000), credit card fees (\$60,000) and the Tenant Remedy Act program (\$200,000). These will be reviewed annually to be sure sufficient ongoing revenues are available to fund these programs.
 - Build 2012 revenue and expense appropriations for the department General Fund to increase by \$300,000.
 - Build 2012 revenue and expense appropriations for the department revolving fund to decrease by \$300,000.
 - Expenses should be limited to nuisance abatement and problem property activities and should not include building permits or business license fees.
- 2. Evaluate fund placement of revolving account to determine if changes are needed to comply with GASB special revenue fund requirements, and also to ensure transparency of activities funded through the revolving account.**
 - a. Recommendation: A new special revenue fund be created to separate the revolving account from the grant fund where it currently resides, and revolving account activities should be shifted to that fund
- 3. The current fund balance is much higher than a typically recommended fund balance of 15% although Regulatory Services has been maintaining a plan to spend down the balance to 15%.**

a. Recommendation: The unreserved balance is unreasonably high. An appropriation needs to be approved for spending down the fund to a 15% balance.

- The unreserved balance is high due to using grants (i.e., NSP) to offset costs associated with the revolving account, to the extent grants were available and expenses were eligible under the grants. In addition, the various initiatives of several years ago such as North Force have produced increased revenue while the assessments progress on their delayed schedule. However, the grants have been fully spent down as of the end of 2010, and it is very unlikely that other grants will be available. Also, the initiatives have not continued so the assessment revenue will continue to decline. So the high unreserved balance is one-time revenue.

b. Approve appropriation changes related to the usage of the balance, including:

- Increase one-time expense appropriation by \$700,000 for BIS projects and Public Works facility renovations currently occurring. BIS and Public Works bill for payment after services are complete, so these funds must remain available until billing occurs. Project agreements are already in place and work is in progress. Projects include Mobile Housing, Aldrich Facility and Electronic photo storage.
- Increase one-time expense appropriation by \$400,000 for various BIS projects that are in various stages of development. Project agreements will be in place by third quarter 2011, consistent with existing financial policies. Projects are consistent with the department business plan, and will be routed through the ISPG for approval as applicable. If the project agreements are less than \$400,000, the balance will go to the Land Management System. These include:
 1. Administrative citation management system initiative including on-line payments to allow improved management of administrative citations and expanding the system to other areas such as Traffic Control,
 2. Tiered licensing to allow for multiple rental licensing tiers to allow an increased fee for problem licenses, and
 3. Kiva clean sheet, which allows for Kiva to be prepared for the new Land Management System.

- Increase one-time expense appropriation by \$4,200,000 for the Land Management System.

4. Financial policy for the revolving fund

- a. Establish financial policy that allows for the new special revenue fund and requires an unallocated minimum balance of 15% of the following year's revenue budget amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs. This is consistent with the General Fund minimum balance policy.
- b. Direct the Finance Department to maintain a listing of the allowable elements in the fund.
- c. Direct the Finance Department to include the revolving fund balance with its quarterly reporting.