

REQUEST FOR COUNCIL ACTION

Date: 12/6/10
Item No.: 12.a

Department Approval

City Manager Approval

Christopher L. Miller

Item Description: Consider the Disposition of Excess Proceeds from the Centre Pointe TIF District

BACKGROUND

On December 31, 2009 the City's Centre Pointe Tax Increment Financing (TIF) District was decertified in accordance with prior City Council action. Under State Law any unspent TIF proceeds are to be returned to the various taxing jurisdictions on a proportionate basis based on each jurisdiction's local tax rate. The City of Roseville's share is approximately \$1.2 million.

These monies have for the time being, been deposited into the City's General Fund. The funds do NOT carry any encumbrances nor are they subject to any outside legal restrictions. They can be used or set aside for any lawful purpose. Unless the City Council formally designates these funds for a specific purpose, they will remain in the General Fund.

POLICY OBJECTIVE

Given the unique and non-recurring nature of the source of these funds, financial best practices would suggest that the City use these funds for one-time purposes. Some potential uses include:

- ❖ Strengthen cash reserve levels (and interest earnings) of the City's General Fund
- ❖ Designate for capital replacements

The list of potential uses shown above is not meant to be exhaustive or exclusive of one another. Each of these options is discussed in greater detail below.

Strengthen Cash Reserve Levels

The City Council has previously adopted, and repeatedly affirmed, a policy of maintaining a General Fund cash reserve level of 50% of total budgeted expenditures. The 2010 General Fund budget is \$12,294,905, and General Fund cash reserves (including the \$1.2 million in TIF proceeds) currently stands at \$4.9 million or 40% of budgeted expenditures.

It should be noted that the 2011 General Fund budget is scheduled to increase to approximately \$13 million with no provision to increase cash reserves beyond what they currently are. For 2011, a cash reserve level of \$4.9 million represents only 38% of budgeted expenditures.

On November 15, 2010 the City Council formally approved the use of \$236,000 of the Centre Pointe TIF proceeds to pay for one-time capital uses. This will lower the General Fund cash reserve level to \$4.66 million or 36% of 2011 budgeted expenditures.

Any additional appropriations of the General Fund's cash reserves will simply move the City further out of compliance with its own Policies. Even at a cash reserve level of 40%, the General Fund will likely run out of cash in late April or early May requiring a temporary internal loan until the City receives its first-half tax settlement in June.

Designate for Capital Replacements

As prescribed in the 2011-2020 Capital Investment Plan, over the next 10 years the City has identified a suggested need in the amount of \$103 million to replace existing vehicles, equipment, and infrastructure necessary to continue providing current programs and services. By contrast, over the 10 previous years, the City spent only \$30 million to replace its capital assets; a reflection of both the general need and available funding during this time.

Clearly, the City does not have the financial resources to replace all existing assets at the end of their useful life. It may be necessary to draw upon cash reserves or one-time monies to replace some of the more critical assets. Using the Centre Pointe TIF proceeds for capital replacements would be an appropriate use.

FINANCIAL IMPACTS

Not applicable.

STAFF RECOMMENDATION

As suggested above, it would be consistent with governmental best practices to use one-time proceeds for one-time capital replacements. However, should the Council conclude that some or all of the proceeds should be used to strengthen the City's cash reserves, Staff recommends that the General Fund be brought into compliance with the City's Cash Reserve Policy before allocating any monies to other operating or capital funds.

The financial condition of the General Fund is a major determinant in establishing the City's bond rating, and plays a critical role in ensuring day-to-day core functions.

REQUESTED COUNCIL ACTION

For discussion purposes. No formal action is required, but the Council has discretion to re-purpose the unspent proceeds from the Centre Pointe TIF District.

Prepared by: Chris Miller, Finance Director
Attachments: A: Not applicable