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Subject: RE: Summary of Reserves

Councilman Morehead,

We have broken out the 2017 CIP Capital Reserve Requirements and the Equipment Replacement requirements. Please keep in mind that the table below reflects the City's Net Position, which incorporates all of our assets and liabilities, not just cash and investments. BV's rate-study reports have been based upon cash and investments only within their model, which is appropriate since the intent of the rate study is to ensure adequate cash flow.

As reserve balances by type have never been tracked individually, a starting point must be determined as well as the balance to be left in Undesignated Reserves. At 12/31/2016, these balances will be calculated based on the minimum requirements as a percentage of the total. The "Budget Balance Reserve" line on the table below is blank for this reason, as there are not sufficient balances within each fund to have a "Budget Reserve".

RESERVE SNAPSHOT (BASED ON 12/31/2015 CAFR)						
	GENERAL/CAPITAL PROJECTS FUND	ELECTRIC FUND	WATER FUND	SEWER FUND	PARKING FUND	TOTAL
Reserve Range ¹ :						
Total Minimum Per Current Policies	6,813,000	7,530,000	6,205,000	1,798,000	2,163,000	24,509,000
Total Maximum Per Current Policies	11,789,000	11,726,000	9,003,000	2,518,000	2,613,000	37,649,000
Unrestricted Net Position (12/31/2015):	(2,964,236)	9,063,044	1,570,527	3,967,088	129,028	11,765,451
Estimated Unrestricted Net Position (9/30/16):	(3,857,542)	11,663,000	2,600,000	3,740,000	310,000	14,455,458
Less Designated Reserves:						
Rate Stabilization Reserve Balance	-	2,179,619	-	-	-	2,179,619
2017 CIP Capital reserve requirements ²	2,305,534	-	1,395,880	293,675	284,590	4,279,679
2017 CIP Equipment Replacement reserve requirements ²	853,818	43,500	250,000		25,000	1,172,318
Budget balance reserve	-	-	-	-	-	
Total Designated Reserves:	3,159,352	2,223,119	1,645,880	293,675	309,590	7,631,616
Undesignated Reserves:	(7,016,894)	9,439,881	954,120	3,446,325	410	6,823,842
Add back GASB 68, Net pension liability effect 12/31/15	17,809,574	2,462,019	2,146,884	84,858	575,407	23,078,742
Estimated Balance without GASB 68 adjustment	10,792,680	11,901,900	3,101,004	3,531,183	575,817	29,902,584

¹ Current reserve requirements include an operating reserve based on the # of days, equipment replacement, and a capital reserve.

² CIP reserves have been broken out into the Capital and Equipment Replacement segments.

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Also, the 2017 Budget does not have a specific line which funds the reserves. We are projecting a small surplus of \$467,928 based on the current version of the budget. If expenses are to meet budget, and we meet our revenue estimates for 2017, then this \$467,928 will be there at the end of 2017, will be recognized as revenue in their respective area, then added to the fund from which they were generated. The \$467K is broken down into the following funds:

Estimated Surplus in 2017 (Based on 2017 Recommended Budget)							
General	Law Enforcement	Capital	Electric	Water	Sewer	Parking	Total
105,765	68,287	8,000	93,360	142,811	7,730	41,975	467,928

Hope this provides more insight.

Regards,

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