

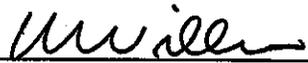
**City of Bell
Agenda Report**

DATE: 10 December 2014

TO: Honorable Mayor and City Council

FROM: Josh Betta, Finance Director 

APPROVED
BY:


Doug Willmore, City Manager

SUBJECT: **Creating the Bell Legacy Fund – General Fund Transfer Out Cash Flow Analysis**

Recommendation:

Receive and file.

Financial Background and General Fund Reserve Position:

During FY 2014, the City's General Fund collected \$5.7 million in legal settlements from those that did wrong to our community; \$4.8 million from the liquidation of an illegally-devised supplemental retirement program; and \$15.2 million from the sale of land adjacent to the Interstate 710.

In all, this \$25.7 million one-time infusion of cash has created an exceptional General Fund reserve position of 188% (as estimated at June 30, 2014). By way of comparison, the City's Adopted Budget and Fiscal Policies stipulate that the City will "strive" to maintain a minimum reserve position of 25%.

Report Background:

On 13 August 2014, the City Council received and filed a report entitled "Creation of the Bell Legacy Fund." The report elaborated upon the concept of creating a separate accounting fund – currently referred to as the Legacy Fund -- to discreetly manage future financial activities pertinent to economic development. The Legacy Fund would be established by ordinance and receive seed funding via transfer in of a portion of the General Fund fund balance (reserves) accumulated in FY 2014.

At its 13 August 2014 meeting, the City Council directed staff to return with cash flow projections that will assist in the determination of the appropriate amount of transfer out from the General Fund.

At its 24 September meeting, the City Council discussed transfer scenarios of \$8,000,000, \$10,000,000, \$12,000,000 and \$19,000,000. As a result of this analysis, Staff was directed to

return to the City Council with further analyses of transfer amounts that would render approximately 25% General Fund reserves at the completion of a five-year period.

General Fund Cash Flow Five-Year Projections:

The attached cash flow analyses are designed to assist the Council in understanding the medium-term effect – after five years – on the General Fund if it were to transfer out to the Legacy Fund a portion of its accumulated reserves.

Each projection is premised on information previously published in the General Fund Five-Year Financial Forecast as adjusted for unexpected events in FY 2015 and by the specified amount transferred out to the Legacy Fund.

In this manner,

- General Fund reserve position five years after transfer out becomes the end result of each projection, and
- This reserve position is then divided into estimated expenditures in FY 2019 to determine the percentage ratio of General Fund reserves on June 30, 2019.

Keeping in mind that the City's Adopted Budget and Fiscal Policies stipulate that the City will "strive" to maintain a minimum reserve position of 25%, the following results are suggested:

Attachment 1 -- A transfer out of \$8,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 57.9% on June 30, 2019.

Attachment 2 -- A transfer out of \$10,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 44.2% on June 30, 2019.

Attachment 3 -- A transfer out of \$12,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 30.5% on June 30, 2019.

Attachment 4 -- A transfer out of \$13,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 23.6% on June 30, 2019.

Attachment 5 -- A transfer out of \$13,500,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 20.2% on June 30, 2019.

Attachment 6 -- A transfer out of \$14,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 16.7% on June 30, 2019.

Attachment 7 -- A transfer out of \$15,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of 9.9% on June 30, 2019.

Attachment 8 -- A transfer out of \$19,000,000 to the Legacy Fund in FY 2015 will result in a General Fund reserve position of -17.5% on June 30, 2019.

Attachment 1 – \$8,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$8,000,000 Transfer Out

Projected General Fund Reserves

Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(8,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15 **10,283,000**

Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19 **8,442,000**

General Fund Reserves as %

Projected Reserves, 6.30.19	8,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000
 General Fund Reserves as %	 57.9%

Attachment 2 – \$10,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$10,000,000 Transfer Out

Projected General Fund Reserves
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Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(10,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15	8,283,000
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Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19	6,442,000
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General Fund Reserves as %

Projected Reserves, 6.30.19	6,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000
 General Fund Reserves as %	 44.2%

Attachment 3 – \$12,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$12,000,000 Transfer Out

Projected General Fund Reserves

Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(12,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)
Projected General Fund Reserves, 6.30.15	
	6,283,000
Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)
Projected General Fund Reserves, 6.30.19	
	4,442,000

General Fund Reserves as %

Projected Reserves, 6.30.19	4,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000
General Fund Reserves as %	
	30.5%

Attachment 4 – \$13,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$13,000,000 Transfer Out

Projected General Fund Reserves
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Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(13,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15	5,283,000
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Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19	3,442,000
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General Fund Reserves as %

Projected Reserves, 6.30.19	3,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000

General Fund Reserves as %	23.6%
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Attachment 5 – \$13,500,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$13,500,000 Transfer Out

Projected General Fund Reserves

Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(13,500,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15 **4,783,000**

Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19 **2,942,000**

General Fund Reserves as %

Projected Reserves, 6.30.19	2,942,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000
 General Fund Reserves as %	 20.2%

Attachment 6 – \$14,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$14,000,000 Transfer Out

Projected General Fund Reserves

Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(14,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15 **4,283,000**

Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19 **2,442,000**

General Fund Reserves as %

Projected Reserves, 6.30.19	2,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000

General Fund Reserves as % **16.7%**

Attachment 7 – \$15,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$15,000,000 Transfer Out

Projected General Fund Reserves
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Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(15,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)

Projected General Fund Reserves, 6.30.15	3,283,000
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Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)

Projected General Fund Reserves, 6.30.19	1,442,000
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General Fund Reserves as %

Projected Reserves, 6.30.19	1,442,000
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000

General Fund Reserves as %	9.9%
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Attachment 8 – \$19,000,000 transfer out from General Fund

The Bell Legacy Fund
 General Fund Cash Flow Analysis Resulting from Transfer Out to Legacy Fund
 \$19,000,000 Transfer Out

Projected General Fund Reserves

Estimated General Fund Reserves, 6.30.14	24,315,000
Transfer Out to Bell Legacy Fund	(19,000,000)
Managed Structural Deficit, Ongoing Costs Beginning FY 2015	(781,000)
Managed Structural Deficit, One-Time Costs FY 2015	(708,000)
Administrative Specialist to Part-Time Status	33,000
Add: Environmental Programs Manager Position	(26,000)
IRS Payment 2007 GO Bonds	(258,000)
Emergency Disaster / COOP Plans	(50,000)
Dissolution of Bell/Cudahy Telecommunications Authority	(193,000)
Four (4) HVAC Units	(60,000)
Shortfall Loan to Successor Agency	(1,255,000)
Transfer Out to Gas Tax Fund, Invalid Medina Const. Contracts	(341,000)
Transfer Out to Gas Tax Fund, Invalid Street Sweeping Contracts	(117,000)
Transfer Out to Retirement Fund Eliminating Accumulated Deficit	(2,276,000)
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Projected General Fund Reserves, 6.30.15	(717,000)
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Managed Structural Deficit (Revenue Less Expenditures) FY 2016	(543,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2017	(534,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2018	(458,000)
Managed Structural Deficit (Revenue Less Expenditures) FY 2019	(306,000)
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Projected General Fund Reserves, 6.30.19	(2,558,000)

General Fund Reserves as %

Projected Reserves, 6.30.19	(2,558,000)
-- Divided By --	/
Projected Expenditures/Transfers Out, FY 2019	14,586,000
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General Fund Reserves as %	-17.5%