

Tax-Forfeited Properties. A portion of nuisance abatement special assessments may be cancelled for tax-forfeited properties.

- *Tax-forfeited properties sold to the general public –*
 - The portion of a property’s post-forfeiture special assessments, pending assessments and charges in excess of fair market value shall be cancelled if Hennepin County has not sold the property within 90 days of the property’s first offering to the public; and
 - The City will waive its right to assess or reassess pre-forfeiture and post-forfeiture special assessments, pending assessments and charges related to nuisance abatement activities under Chapters 227 and 249, and similar provisions of the Minneapolis Code of Ordinances.

- *Tax-forfeited properties located in targeted neighborhoods and purchased by the City for redevelopment purposes –*
 - The portion of a property’s post-forfeiture special assessments, pending assessments and charges in excess of fair market value shall be cancelled; and
 - The City will waive its right to assess or reassess pre-forfeiture and post-forfeiture special assessments, pending assessments and charges related to nuisance abatement activities under Chapters 227 and 249, and similar provisions of the Minneapolis Code of Ordinances.

RESERVE POLICIES

The objective of the reserve policies is to provide adequate working capital for cash flow and contingency purposes, while maintaining reasonable tax rates.

Cash Flow and Contingency. The City shall maintain a minimum unallocated General Fund balance of 15 percent 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. The City shall maintain a 15 percent fund balance in the General Fund.

To the extent that unusual contingencies exist as a result of state or federal aid uncertainties, or other highly variable factors, a balance larger than this minimum amount may be maintained. These funds will be used to avoid cash flow interruptions, generate interest income, avoid the needs for short-term borrowing, and assist in maintaining a triple-A bond rating.

In the event a balance larger than the “base” amount exists as a result of state or federal aid, salary settlements, or other unknowns provided for in the budget, the City shall decide whether to transfer cash to the Internal Service Funds of the City to help reduce the negative cash balances in these funds. When financial stability is returned to the Internal Service Funds of the City, the City shall reevaluate the Cash Flow and Contingency policy statement. Specifically, future changes shall address the level of balance that may be maintained above the minimum “base.” [Internal Service Fund commitment adopted in December 2000, reaffirmed in 2006]

Appropriate operating contingency reserves shall be maintained in enterprise funds to provide for business interruption costs and other unanticipated expenditures of a non-recurring nature.

Appropriate capital fund reserves shall also be maintained for emergency improvements relating to new regulations, or emergency needs for capital repair or replacement.

For all other funds, appropriate balances shall be maintained reflecting the nature of the accounts, such as:

Special Assessment Funds. The appropriate balance shall be the amount needed for revolving fund cash flow purposes.

Enterprise Funds. The appropriate balance shall be maintained to ensure adequate maintenance reserves, cash flow balancing requirements and legal restrictions. Where cost-effective access to capital markets is available and debt financing is regularly used, replacement balances shall not be maintained so current consumers are not required to pay for future facilities. The City shall maintain a minimum cash balance in its Enterprise Funds equal to approximately three months of operating expense.

Internal Service Funds. The appropriate balance shall be maintained to ensure adequate maintenance reserves, cash flow balancing requirements and legal restrictions.

- *Self-Insurance Fund* shall maintain a cash balance equal to the unpaid claims payable amount on its balance sheet plus 10% of the annual department operating budgets within the fund. Net assets within the fund should not fall below zero.
- *Fleet Services, Business Information Services and Property Services Funds:* If rate model charges to customers are sufficient to cover debt service or depreciation expense then the minimum cash balance should be 15% of the fund's operating budget. If not, the reserve should be 15% of the fund's total budget. Net assets shall not fall below two times the fund's annual depreciation amount.
- *Stores and Engineering Materials & Testing Fund* shall maintain *cash and net assets equal to 15% of the funds annual operating budget.*

Use of Fund Balances. Available fund balances shall not be used for ongoing operating expenditures, unless a determination has been made that available balances are in excess of required guidelines and that plans have been established to address any future operating budget shortfalls. Emphasis shall be placed on one-time uses that achieve future operating cost reductions. Fund balance is the cumulative years' excess or deficit of all revenues and expense. In the case of proprietary funds, this is termed unrestricted net assets. For the purposes of the budget document, revenue and expense activity includes bond proceeds and debt service.

Annual Review. An annual review of cash flow requirements and appropriate fund balances shall be undertaken to determine whether modifications are appropriate for the reserve policy.

DEBT MANAGEMENT POLICIES

Objective. The objective of the debt management policies is to provide a framework for managing the City's capital financing and economic development activities in a way that preserves the public trust and balances costs to current and future taxpayers without endangering essential City services.