

## AMLIP Account Management

### POLICY

The City of Gustavus has determined it to be sound financial practice to maintain funds which exceed that needed to pay near-term obligations in interest-bearing accounts managed by the Alaska Municipal League Investment Pool (AMLIP) and to move funds to a non-interest-bearing checking account only as they are needed to pay bills for projects being completed. The AMLIP account is split into specific AMLIP sub-accounts which shall be used to set aside funds for key categories of savings as set forth in the City Code of Ordinances. Furthermore, a reserve account shall be maintained to cover unexpected variations in revenue or expenses due to extraordinary circumstances that may push the budget into deficit or challenge the City's ability to meet its financial obligations. Interest earned in AMLIP savings accounts shall accrue to the balance in the specific account but may be re-assigned to another category of account or appropriated to projects or the operating budget by the Council when accounts are rebalanced. At the start of each fiscal year the Treasurer will recommend to the Council that the funds held in these accounts be reviewed and adjusted in accordance with the policy herein.

### PROCEDURE

The treasurer shall set up and manage AMLIP funds as follows:

#### AMLIP Capital Improvement – Current

The AMLIP account “Capital Improvement – Current” is an interest-bearing holding account for all funds appropriated for Capital Projects by the City Council and approved through the NCO process. Funds placed in this account will be withdrawn and put in a checking account as needed to pay for the expenses incurred for the projects for which they were allocated. The treasurer will track these funds and will return any unused funds to a source account upon the completion of each project.

Upon approval of a Capital Project a two-step NCO will be created by the City treasurer to move funds from the source account into AMLIP account Capital Improvement -Current and from Capital Improvement – Current into the City's checking account. Once the NCO has been approved by the City Council, the treasurer will have the funds moved from the source account into AMLIP account Capital Improvement – Current. Transferring these allocated funds into the City's checking account to pay for the construction project will be delayed until the project is underway, and the funds are needed to pay the project's expenses. The treasurer will create a document tracking these funds and will return any unused funds to a source account upon the completion of each project in which funds were allocated.

#### AMLIP Capital Improvement – Long-term

The AMLIP account “Capital Improvement – Long-term” is an interest-bearing holding account for surplus funds or other funds the City Council deems appropriate to save for future Capital Projects. The City Council can at any time instruct the treasurer to move funds to or from Capital Improvement – Long-term through the NCO process for Capital project funding or other project funding as the City Council deems appropriate.

### AMLIP Repair and Replace \*

The AMLIP account “Repair and Replace” is an interest-bearing holding account for the City’s Repair and Replace (R&R) savings for major infrastructure assets. Each year the treasurer will recommend that an expenditure of funds, based on the 10% or 10-year philosophy (see appendix 1), be inserted into the budget. This amount will be included in the operating budget and approved through the budget process. With final budget approval, the treasurer will prepare an NCO for council approval to move the appropriated annual R&R savings contribution from a source account, e.g., checking, into the AMLIP R&R account. These funds will be held until the City Council deems it necessary to expend them for repairing or replacing the City’s assets for which they are being held. AMLIP R&R savings shall not be appropriated for uses other than repair or replacement of infrastructure assets.

### AMLIP Gravel Pit Fund

The AMLIP Gravel Pit Fund is an interest-bearing holding account for funds set aside to be used for future gravel pit infrastructure expansion or equipment purchases. Each budget cycle, the mayor and treasurer will recommend to the Council an operating budget appropriation to the AMLIP Gravel Pit Fund. With final budget approval, the treasurer will prepare an NCO to transfer these funds from an appropriate source account into the AMLIP Gravel Pit Fund account. AMLIP Gravel Pit Funds shall not be appropriated for uses other than as needed for the gravel pit.

### AMLIP Operating Budget Backup Fund

### AMLIP Reserve

The AMLIP Reserve is an interest-bearing holding account for operating budget backup and for surplus funds the City has not allocated or appropriated to any other account. The City Council may direct the treasurer to move any portion of surplus funds from checking or other AMLIP accounts into AMLIP account Reserve. It is the intent of this policy that the AMLIP Reserve balance be maintained above the current year’s approved operating budget, only to be drawn from under exceptional circumstances such as an unexpected shortfall in budgeted revenue, or fiscal crisis that challenges the City’s ability to meet its obligations. At the beginning of the new fiscal year, the treasurer shall assure that the AMLIP Reserve account balance equals or exceeds the approved new fiscal year operating budget. If necessary, the treasurer shall prepare an NCO for council approval to adjust the AMLIP Reserve balance to meet or exceed the policy minimum.

\* Appendix 1.

For replacement of items with a life expectancy of more than one year but not more than ten years, the city should set aside 100% of the replacement value in order to purchase the item when needed. To calculate the amount to set aside each year, divide the replacement cost by its life expectancy.

For replacement of items with a life expectancy of more than ten years, the city should set aside 10% of the replacement value of each item. To determine the amount to set aside each year, multiply the estimated replacement cost by 10%, then divide that by the life expectancy of the asset. These are typically larger assets that the city would be looking for outside replacement funding for, and the R&R savings could be used as a down payment for a loan, a match for a grant, etc.