



# MEMO

## Department

To: Finance and Personnel Committee  
From: Finance Director, Van Rossum  
Date: 2/19/2025  
Re: Surplus Fund Balance Allocation

### Background information:

As noted in the Fund Balance Policy update agenda item, the City of Kaukauna is projected to have a surplus in its fund balance in the 2024 financial statements. This surplus is driven by multiple factors, including cost savings and revenues exceeding budgeted expectations. The primary contributor, once again this year, is the higher-than-anticipated interest income earned on the City's reserves.

With this surplus comes the opportunity to strategically allocate funds. While the additional funds are beneficial, they also present a challenge, as they represent a one-time financial event. To ensure fiscal responsibility, these funds should be applied to one-time expenditures or project funding, thereby mitigating the risk of creating ongoing expenses that may become unfunded in the future.

The City's optimal bond rating target for the unassigned fund balance is 30% of general fund operations, aligning with the suggested City's undesignated fund balance policy. Currently, the fund balance exceeds this threshold, providing an opportunity to allocate excess funds to one-time projects or expenses. Moving \$700,000 from the undesignated fund balance would bring the total unassigned down to 31.08%, still above the recommended level. This allocation would allow the City to fund a project(s) or one-time expenses without the need to issue debt or increase the tax levy.

A few suggested options include:

1. Parks and Pool Fund
  - a. Pool Project rather than refunding current bond in a few years
  - b. Grignon Park Snow Tubing Project
  - c. Move to this fund and Restrict until the project is decided
2. Capital Equipment Fund
  - a. Rather than borrow funds, apply the surplus to equipment purchases
3. Debt Service Fund
  - a. Pay done debt service

**Strategic Plan:**

Surplus funds can have a direct impact on the strategic plan if funds are applied toward a specific initiative or project within the plan.

**Budget:** This surplus does not have an immediate impact on the current budget. However, it presents an opportunity to allocate funds toward one-time expenses, debt service, or capital projects without affecting the general fund's operational budget.

By reallocating these financial reserves appropriately, the City ensures long-term operational stability while maintaining flexibility for future needs.

**Staff Recommended Action:**

Approve the reallocation of \$700,000 from the undesignated General Fund balance to support a one-time expense to **[Insert Decided fund]**