

RESOLUTION NUMBER 7626

WHEREAS, the Mayor and City Council of the City of Beatrice, Nebraska (“City”) find and determine that the practice and discipline of maintaining adequate reserve funds is imperative for the sound financial management of the City of Beatrice; and

WHEREAS, the Mayor and City Council of the City of Beatrice find and determine that cash reserves enable the City to handle future short term economic downturns, emergencies, uninsured losses, or unanticipated operating or capital expenditures, without cutting services or increasing rates; and

WHEREAS, the Mayor and City Council of the City of Beatrice desire to adopt a Cash Reserve Policy establishing operational parameters for all City funds so they are neither larger than needed nor less than prudent and to provide a plan for increasing or decreasing the level of fund balances as appropriate.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF BEATRICE, NEBRASKA:

SECTION 1. That the “Cash Reserve Policy”, marked as Exhibit “A”, attached hereto and incorporated herein by this reference, be and hereby is adopted.

SECTION 2. That any and all resolutions or parts of resolutions in conflict herewith are hereby repealed.

RESOLUTION PASSED AND APPROVED this 15th day of September, 2025.

Attest:


Erin Saathoff, MMC, City Clerk


Robert Morgan, Mayor



CASH RESERVE POLICY

PURPOSE

The practice and discipline of maintaining adequate reserve funds is imperative for the sound financial management of the City of Beatrice cash reserves enable the City to handle future short term economic downturns, emergencies, uninsured losses, or unanticipated operating or capital expenditures, without cutting services or increasing rates.

The goal of the City in establishing a Cash Reserve Policy is to provide both short-term and long-term financial stability to the City by ensuring sufficient funds for providing services and protecting infrastructure needed by the community. This policy is intended to establish parameters for all City funds so they are neither larger than needed nor less than prudent and to provide a plan for increasing or decreasing the level of fund balances as appropriate.

DEFINITIONS

Fund Balance is an accounting term defined as the difference between assets and liabilities in a governmental fund which includes the General Fund, Street Fund, and Airport Fund. Fund balance consists of the following components:

Nonspendable. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified inventories and prepaid items within this classification as they are not in spendable form.

Restricted. This classification includes amounts for which constraints have been placed on the use of the resources by either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Funds being held for the gas plant cleanup are considered restricted, as well as funds being held for debt service.

Committed. This classification includes amounts that can be used only for specific purposes pursuant to ordinances or resolutions adopted by the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same action employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Funds being held for community betterment in the Keno Fund and funds being held in the Public Safety Capital Improvement Fund for public safety equipment are considered committed.

Assigned. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to the City Treasurer through the budgetary process. Assigned funds include those funds being held for subsequent years' expenditures in the Capital Improvement Fund.

Unassigned. This classification includes the residual fund balance. Only the General Fund can report a positive unassigned balance.

Net Position is an accounting term defined as the difference between assets and liabilities in an Enterprise Fund or Internal Service Fund, such as Electric Department and Employee Benefit Fund. Net Position consists of the following components:

Net Investment in Capital Assets. This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investments in capital assets. This form of net position is not available as a funding source unless the assets are sold and therefore, these amounts are not included in reserve considerations.

Restricted. This component of net position consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. This form of net position is normally not available to finance operational expenses and therefore, these amounts are not included in reserve considerations.

Unrestricted. Funds that are neither invested in capital assets nor restricted. These are the only amounts available for reserve consideration in enterprise and internal service funds.

FUND RESERVE TARGET LEVELS

Governmental Funds

- a. *General Fund* – The General Fund is the primary operating fund for the City and includes revenue from sources such as property taxes and sales taxes and expenditures for police, fire, and parks. The General Fund shall maintain an unassigned fund balance between twenty (25) and fifty (50) percent of General Fund "Total Expenditures" less Internal Fund Transfers and Capital Projects for the subsequent fiscal year.
- b. *Street Fund* – The Street Fund is a special revenue fund used to account for operation of the Street Department. Revenues are provided by the City's share of state gasoline taxes, in addition to the required match from the City. State law requires these taxes to be used to construct and maintain roads, streets, and improvements, and the for the street program administration. The fund shall maintain a fund balance of twenty (25) to fifty (50) percent of the operating expenses of the subsequent fiscal year.

- c. *Airport Fund* – The Airport Fund is a governmental fund used to account for operation at the Beatrice Municipal Airport. Revenues are derived from fees charged to customers as well as federal agency aid for their capital improvement projects. The fund shall maintain a fund balance of twenty (25) to fifty (50) percent of the operating expenses of the subsequent fiscal year.

Enterprise Funds

Each of the City's enterprise funds account for different types of services and therefore, reserve needs are unique for each. Based on the above considerations, the City has determined the following reserve goals:

- a. *Electric Fund* – The Electric Fund accounts for the revenues and expenses of the electric utility. The electric utility purchases electricity wholesale and retails it to the residents of the City. The Electric Fund shall maintain an unrestricted cash reserve of twenty-five (25) to fifty (50) percent of operating expenses less the cost of purchased power plus twenty-five (25) percent of the purchased power cost in the subsequent fiscal year.
- b. *Water Fund* – The Water Fund accounts for the revenues and expenses of the water utility. The water utility pumps, transmits, stores, and distributes water to the residents of the City. The Water Fund shall maintain an unrestricted cash reserve of twenty-five (25) to fifty (50) percent of operating expenses in the subsequent fiscal year.
- c. *Water Pollution Control Fund* – The Water Pollution Control Fund is used to account for the revenues and expenses of the water pollution control utility. The water pollution control utility provides for the collection and treatment services of waste water for the residents of the City. The Water Pollution Control Fund shall maintain an unrestricted cash reserve of twenty-five (25) to fifty (50) percent of operating expenses in the subsequent fiscal year.
- d. *Sanitation Fund* – The Sanitation Fund is used to account for the revenues and expenses of the garbage collection enterprise. The garbage collection enterprise provides for the collection of residential and commercial garbage for the residents of the City, as well as, residential and commercial customers in Gage County and surrounding cities and villages that enter into service agreements with the City. The Sanitation Fund shall maintain an unrestricted cash reserve of fifteen (15) to thirty (30) percent of operating expenses plus capital expenses in the subsequent fiscal year.
- e. *BASWA Fund* – The Beatrice Area Solid Waste Agency Fund accounts for revenues and expenses for the maintenance and operation of a solid waste facility servicing Beatrice, Gage County, and surrounding cities and villages that enter into service agreements with the Agency. The City of Beatrice undertakes to operate and manage the facilities, as agent acting on behalf of the Agency. The BASWA Fund shall maintain an unrestricted cash reserve of fifteen (15) to thirty (30) percent of operating expenses in the subsequent fiscal year.

Any Infrastructure Funds, Rate Stability Funds, Customer Deposits, Closure/Post Closure Funds, or Depreciation shall not be included in the cash reserve calculations for Enterprise Funds.

Internal Service Funds

The City operates several internal service funds to finance goods or services provided by one department to other departments within the City, or other governmental units, on a cost-reimbursement basis. These funds are similar in nature to enterprise funds. Reserve balances shall be maintained as follows:

- a. *Employee Benefit Account (EBA) Fund* – The EBA Fund is used to account for the revenues and expenses of the self-funded health insurance plan provided by the City of Beatrice for its employees. The EBA Fund shall maintain a fund balance of twenty-five (25) to fifty (50) percent of operating expenses in the subsequent fiscal year.

Other City Funds

The City maintains fund balances in funds other than the General Fund, Internal Service Funds, and Enterprise Funds. These funds (as described below) have unique fund balance situations and therefore, no specific reserve level is required.

- a. *Special Revenue Funds* – These funds are used to account for the proceeds of specific resources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specific purposes. No specific reservation of fund balance is necessary since each fund must adhere to any underlying guidelines attached to the related revenue source. Special Revenue Funds include funds such as Keno and Community Redevelopment Authority (CRA).
- b. *Debt Service Funds* – These funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs other than debt financed from proprietary funds. Financing for the debt service fund is generally provided from the general property taxes and interest income.
- c. *Capital Projects Funds* – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Approval of and financing for capital projects is provided in the City's capital improvement plan. Since many of these projects span several years, fund balances carry over from year to year through the life of the project and shall remain committed until the completion of the project.
- d. *Informational Technology Services (IT) Fund* – These funds are used to account for financial resources to be used for the revenues and expenses of the IT Department. Approval of and financing for IT projects is provided in the City's budget. Since some of these projects may span several years, fund balances carry over from year to year through the life of the project and shall remain committed until the completion of the project.

RESERVE CONDITION OF USE AND REPLENISHMENT

It is the intent of the City to limit use of cash reserves to address unanticipated or non-recurring needs. To the extent possible, reserves will be used to make investments to provide operating efficiencies over the long term. Reserves will not be used to offset continuous on-going operations, except to phase in new major service costs or to address the phase out of a significant loss of revenue.

Should the actual amount of reserves fall below the targeted range, the City shall create a detailed financial plan to restore balances to the minimum requirements within three (3) fiscal years. The plan will be prepared and submitted for City Council approval. Progress toward reserve replacement will be provided at least annually to the City Council.

Should the actual amount of reserves exceed the targeted range, the City shall create a detailed financial plan to use the excess funds to supplement current capital projects, to construct new capital projects, to reduce City indebtedness, or to pay one-time expenditures that reduce future operating costs.

The City may maintain a Cash Reserve Fund in excess of the Cash Reserve Fund levels set forth in this policy, if the City has a specific purpose for doing so. Example: The WPC Department must make significant upgrades to the Wastewater Treatment Facility. Said upgrades will take place over several years and cost a substantial amount of money. Such projects should be approved as part of the City's capital improvement plan.

MONITOR AND REVIEW

As part of the annual budget process, the adequacy of reserves and fund balances will be calculated based on projected September 30th fund balances. The Finance Director and City Administrator will review the projections and fund balance policies and determine whether modifications are appropriate. Concurrently with the presentation of the City's annual audit, the City Administrator and/or the Finance Director will annually report on the status of the fund balances in relation to this policy to the City Council.

In an effort to illustrate the intent behind the reserve policies outlined, the following calculated examples are provided:

General Fund

For Fiscal Year 2024 (FY2025) the 25 to 50% range of reserve would have been from \$3,093,344 to \$6,186,687.

Street Fund

For FY2024 the 25% to 50% range of reserve would have been \$398,884 to \$797,768

Airport Fund

For FY2024 the 25% to 50% range of reserve would have been \$147,202 to \$294,404

Electric Fund

For FY2024 the 25% to 50% range of reserve would have been \$2,001,687 to \$4,003,373

Water Fund

For FY2024 the 25% to 50% range of reserve would have been \$492,601 to \$985,202

WPC Fund

For FY2024 the 25% to 50% range of reserve would have been \$331,830 to \$663,660

Sanitation Fund

For FY2024 the 15% to 30% range of reserve would have been \$389,303 to \$778,605

EXHIBIT "A"

BASWA Fund

For FY2024 the 15% to 30% range of reserve would have been \$179,052 to \$358,103

EBA Fund

For FY2024 the 25% to 50% range of reserve would have been \$1,217,600 to \$2,435,200