

**Minutes
Finance Committee
Wednesday, June 21, 2006**

Please note: Minutes are unofficial until approved by the Finance Committee at the next regularly scheduled meeting.

Present: Aldermen Augustine, Ament, Moore and Citizen Member Daniel Lavinio

Others Present: Mike Holzinger

Excused: Mayor Chiovatero

Meeting called to order at 6:10 p.m.

Motion by Alderman Ament to approve the 11/08/05 minutes. Second by Alderman Moore and approved unanimously.

Old Business:

Mike Holzinger discussed the current recommended Reserve Funds Policy, stating that the original Working Capital reserve was set at 10%. During the committee's review of the financial policies in 2005, the 10% was increased to 15%.

There was general discussion about what level of funding for working capital was necessary. Mike stated that the amount that was designated for working capital at year-end 2005 was 10% of the 2006 Approved General Operating fund and would cover approximately 35 days of operations.

Chairman Augustine asked if the minimum % could be dropped to 8.3% and what the impact would be. There was general discussion of what the potential impact would be on future budgets.

Alderman Moore raised the issue of the 2% levy cap and stated that he felt the City should use the prior year surplus funds to continue to offer a higher level of service to the community. Alderman Ament referred to the Ehlers 5 year financial plan report and asked what the impact would be if the City used prior year surplus as shown on page 3, or page 7.

Mike stated that the 2005 year end fund balance has reached that level because of the conservative budget practice that the city has followed in the past. He stated that in 2005, the interest on investments exceeded the budgeted amount by \$271,000 because of rising interest rates.

General discussion about bond ratings if the city used all of the fund balance to make up for the 2% levy cap.

Motion by Chairman Augustine to set the working capital reserve at a minimum of not less than 10% of the general operating budget. Second by Alderman Ament.

Motion by Alderman Moore to amend the motion to set the working capital reserve at a minimum of not to exceed 8.3% of the general operating budget. Second by Citizen Member Lavinio.

Upon voting on the amendment, the motion failed with Alderman Ament and Mr. Lavinio voting No.

Upon voting on the original motion, it passed with Alderman Moore voting No.

Adjourn

Motion by Alderman Moore to adjourn at 7:50 p.m. Second by Mr. Lavinio and approved unanimously.

Respectfully submitted
Karin Ambrosch
Office Coordinator, Finance Department