

## RESOLUTION NO. 2016-12

### A RESOLUTION TO ESTABLISH GUIDELINES FOR ALLOCATING CASH BALANCES AND DEFINING TRANSFER LIMITS IN THE ELECTRIC FUND

WHEREAS, Resolution No. 1930, which limited the cash balances and transfers from the electric fund was adopted in 1988 and is now in need of revision; and

WHEREAS, the City Commission still desires to allocate cash balances and define transfer limits in the electric fund by establishing a Payment in Lieu of Taxes (PILOT) limit along with several restricted and designated reserves;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF MADISON, SOUTH DAKOTA:

That cash balances and transfer limits in the electric fund be allocated and defined for specified purposes:

1. **Cash Transfer for Payment in Lieu of Taxes (PILOT)**  
Transfer of cash from the electric fund to support other City services shall not exceed seven and one half percent (7.50%) of the annual budgeted gross rate revenue of the fund.
2. **Capital Finance Restricted Reserve**  
Maintain a restricted cash reserve for paying bonded indebtedness in an amount equal to an annual full payment of all bonded indebtedness of the fund.
3. **Operating Designated Reserve**  
Maintain a designated cash reserve with a minimum of sixty (60) days of annual budgeted gross rate revenue of the fund.
4. **Emergency Designated Reserve**  
Maintain a designated cash reserve of seven hundred and fifty thousand dollars (\$750,000.00) set in 2017 and adjusted by the CPI-U annually.
5. **Capital Accumulation Designated Reserves**  
Maintain designated cash reserves to accumulate funds to purchase vehicles, equipment or buildings. Said reserves shall not exceed the full purchase price of the proposed purchase and shall not be held for over twenty-four (24) months once full price accumulation has been reached.
6. **Capital Improvement Designated Reserve**  
Maintain a designated cash reserve in the amount of the non-bonded annualized average of the capital improvement plan (5-year plan) or actual year's plan, whichever is greater.
7. **Generation Plant Designated Reserve**  
Maintain a designated cash reserve of sixty thousand dollars (\$60,000.00) set in 2017 and adjusted by the CPI-U annually.

The total amount of cash in designated reserves (items 3-7) for each fiscal year shall be between twenty-five percent (25.0%) and forty-five percent (45.0%) of annual budgeted gross rate revenue with a target of thirty-five percent (35.0%) of annual budgeted gross rate revenue.

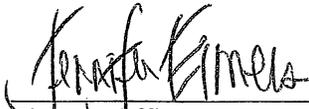
Gross Rate Revenue shall be defined as budgeted revenue from metered electric sales and transmission services.

The City Commission shall set rates annually after reviewing the financial state of the electric fund and this cash balances and transfer limits policy.

Dated this 16<sup>th</sup> day of May, 2016.

CITY OF MADISON

  
Mayor

ATTEST:   
Finance Officer

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