

May 5th, 2016

TO: Members of the Board of Mayor and Aldermen
Members of Budget and Finance Committee

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO
Mike Lowe, Comptroller
Michael Walters Young, Budget & Analytics Manager

RE: Consideration of Ordinance 2016-006, 4th Quarter 2016 Budget Amendments

Purpose

The purpose of this item is to amend the Fiscal Year 2016 Budget for compliance with State budgeting guidance regarding:

1. Deficit Fund Balances (fund's net accumulated revenues and expenditures),
2. Deficit Cash Balances (for funds with year-end receivables not collected by June 30), and
3. Ensuring authorizations in place to balance each fund's budget on a cash basis on June 30, 2016.

Background

The State Comptroller has provided guidance that budget amendments are to be on the cash basis and must occur prior to fiscal year end (June 30) to ensure no fund has a deficit fund balance or deficit cash balance at June 30. If not in compliance with this requirement, approval of future bond issues by the State may be affected. As the amendments are occurring prior to fiscal year end, the amendments include estimates under a "worst case scenario" to ensure no fund balance deficit or cash balance deficit exists at June 30. The amendments do not include the Facilities Tax, Drug, In Lieu of Parkland, and Debt Service funds as they appear to have sufficient fund balances and cash balances for fiscal year end.

The amendments are as follows:

1. Administrative re-allocations between various fund departments. Departmental reallocations do not change the total of various fund budgets (General, Sanitation, Stormwater & Water & Sewer) Funds. For example, funds were budgeted in General Expenses for the merit pay program. The re-allocation allows those funds to be allocated from General Expenses to the appropriate departments. Other funds may have needs to redistribute but would not modify the total or change fund balance.
2. Authorization for Transfer from General Fund, if needed, to ensure Street Aid & Transportation Fund is not in a fund balance or cash balance deficit at June 30, 2015. Due to due to state shared taxes received in July and August after fiscal year end, it is possible that the Street Aid & Transportation Fund may leave the fund in a temporary fund balance

and/or cash deficit at June 30. Transfer amounts requested totals \$175,000 and will only be transferred if needed.

3. Authorization for Transfer from General Fund, if needed, to ensure Sanitation Fund is not in a fund balance or cash balance deficit at June 30, 2015. Continued tonnage crossing the scales far in excess of budgeted expectations at the transfer station, along with a series of unanticipated building repairs at the transfer station (part of Ordinance 2016-002), a transfer from the General Fund is necessary. Transfer amounts requested totals \$500,000 and will only be transferred if needed.
4. Authorization for Transfer from General Fund, if needed, to ensure Transit Fund is not in a fund balance or cash balance deficit at June 30, 2015. Transit financials through March are showing its cash expenditures of approximately \$149,000 over current budget. Timing of grant reimbursements between now and June 30 will be key in reducing the amount of transfer necessary. Transfer amounts requested totals \$250,000 and will only be transferred if needed.
5. Transfer of \$5,502,416 from various funds to the Capital Projects Fund. Entering Fiscal Year 2016, the Capital Projects Fund had a deficit of \$10,104,657. Over the course of the Fiscal Year 2016, two budget amendments added to that overall deficit. Although not budgeted, the fund, like all funds of the City of Franklin, is reviewed by the State of Tennessee and the City needs to take steps to improve the deficit annually. In most cases, the deficit is a result of projects which we unable to be added to previous bond issuances or have components which should be charged against various funds.

This amendment works to continue to close out several projects which have multiple components that can be charged to different funds. Of the \$5,502,416, the following funds are proposed to the charged for the following projects

- a. \$2,500,000 – General Fund – Capital Funding Account. This is commonly referred to the “Over 45% portion of Fund Balance. The \$2,500,000 requested to be transferred is primarily for the costs of Carlisle Lane that cannot be charged against other funds or prior bond issuances. As of the beginning of FY 2016, this reserve had 8,347,546 in it.
- b. \$1,207,565 – Hotel/Motel Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Columbia Avenue Streetscape and Hillsboro Road. (Note: not the upcoming Hillsboro project, the prior one already completed). As of the last budget amendment (Ordinance 2016-002), the Hotel/Motel Fund had a fund balance of \$3,295,124.
- c. \$972,342 – Water Taps Fund – Fund Balance. This transfer is requested for the Water Taps eligible expenses of 3rd Avenue North and Hillsboro Road. (Note: not the upcoming Hillsboro project, the prior one already completed). As of the April 30, 2016, the Water Taps Fund had a fund balance of \$4,356,069.

- d. \$822,509 – Sewer Taps Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Columbia Avenue Streetscape and Hillsboro Road. (Note: not the upcoming Hillsboro project, the prior one already completed). As of the April 30, 2016, the Sewer Taps Fund had a fund balance of \$11,687,891.23.

6. Additional appropriation of \$161,578 from the Hotel Motel Fund for closeout change order items for the Multi-purpose Arena at Harlinsdale Farm. The Friends of Franklin Parks, LLC and the Parks Department are requesting for the City of Franklin complete the project in its entirety in the amount of \$161,578 from the Hotel/Motel Fund. The following are the items are included in the final close-out change order:
 - a. \$86,703 – includes additional fencing, stain, irrigation (reclaimed water lines); irrigation cannons for the arena (upgrade); Restroom adds; additional stone material and re-grading for the interurban system.
 - b. \$49,880 – Concrete Pad for equine manure management containers, commercial trash/recycling containers, enclosure of concrete pad, fence, gates and gravel drive to the site.
 - c. \$24,995 – (1”) inch meter for water and sewer tap for the new concession/restroom facility.

Total impact of the project, the Friends of Franklin Parks, LLC partnership is \$1.5 million and the total request of the City of Franklin will be \$361,578.00. The total project is over \$1.8 million dollars with Friends of Franklin Parks, LLC raising over (75%) seventy-five percent of the funding raising through local public-private partnerships.

This item will be discussed at the May 10, 2016 Work Session.

This is the fifth and hopefully final budget amendment during this Fiscal Year to the budget.

Financial Impact

The amendments, as proposed, would result in:

1. General Fund: If all transfers are required, decrease in budgeted fund balance of \$925,000. Overall Fund Balance would be reduced by \$3,425,000.
2. Street Aid & Transportation Fund: Increase in fund balance, if necessary, of \$175,000.
3. Sanitation and Environmental Services Fund: Increase in fund balance, if necessary of \$500,000.
4. Transit Fund: Increase in fund balance, if necessary of \$250,000.
5. Capital Projects Fund: Increase in fund balance of \$5,502,416.
6. Hotel/Motel Fund: Decrease in fund balance of \$1,369,143.
7. Water Taps Fund: Decrease in fund balance of 972,342.



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8. Sewer Taps Fund: Decrease in fund balance of \$822,509.

Options

1. Approve amendment(s) as proposed and forward to BOMA.
2. Make changes to the amendment(s) where desired and forward to BOMA.

Recommendation

Staff recommends approval of the amendments.