

May 5th, 2017

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

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

RE: Consideration of Ordinance 2017-15, 4th Quarter 2017 Budget Amendments

Purpose

The purpose of this item is to amend the Fiscal Year 2017 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, 2017.

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 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 to ensure Street Aid & Transportation Fund is not in a fund balance or cash balance deficit at June 30, 2017. Initial recordings of Property Tax in the Street Aid & Transportation Fund (the \$0.015 first levied in FY 2015) need to be adjusted to move money received within the General Fund to the Street Aid & Transportation Fund. Transfer amount requested totals \$66,071.

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, 2017. Transfer amount requested totals \$750,000 and will only be transferred if needed.
4. Authorization for Transfer from General Fund, if needed, to ensure Transit Fund has sufficient resources for pass-through grant expenditures (100% offsetting grant revenue) at June 30, 2017. The City of Franklin is a pass-through entity for payment to the Franklin Transit Authority/TMA Group for its purchase of regional transportation van replacements. Although the City has no role and provided no funds in this transaction, the U.S. Federal Transit Authority required the use of the Franklin Transit Authority/City of Franklin name on the grant. (The federal government sent the grant duns to the City and the City forwarded the funds in full to the Franklin Transit authority/TMA Group). Transfer amount requested totals \$175,000 and will only be transferred if needed.
5. Authorization for Transfer from General Fund to ensure Debt Service Fund is not in a fund balance or cash balance deficit at June 30, 2017. Initial recordings of Property Tax in the Debt Service Fund need to be adjusted to move money received within the General Fund to Debt Service Fund. Transfer amount requested totals \$792,914.
6. Creation of Fund 132 - County Facilities Tax Fund and Authorization for Transfer of \$3,487,056 from Capital Projects Fund of existing balance of County Facilities Tax deposits. Beginning with Resolution 2010-69, the Board of Mayor and Alderman authorized the receipt and deposit of the City's share of the Williamson County Adequate Facilities Tax into Fund 310, the Capital Projects Fund in FY 2012. This has created confusion over the years as these revenues are co-mingled with all other revenues within Fund 310. This proposal would create a new stand-alone fund and transfer the current balance out of the Capital Project Fund to ensure better accounting and budgeting moving forward.
7. Transfer of \$4,836,071 from various funds to the Capital Projects Fund. Entering Fiscal Year 2017, the Capital Projects Fund had a deficit of \$7,887,886. 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 decrease 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 \$4,836,071, the following funds are proposed to the charged for the following projects:

- a. \$1,600,000 - General Fund - Capital Funding Account. This is commonly referred to the "Over 45% portion of Fund Balance. The \$1,600,000 requested to be transferred is primarily for the costs of projects that cannot be charged against other funds or prior bond issuances. As of the beginning of FY 2017, this reserve had 8,101,439 in it.

- b. \$66,071 – General Fund – Property Tax. Initial recordings of Property Tax in the Capital Projects Fund (the \$0.015 first levied in FY 2015) need to be adjusted to move money received within the General Fund to the Capital Projects Fund. Transfer amount requested totals \$66,071.
- c. \$2,000,000 – Road Impact Fund – Fund Balance. This transfer is requested for eligible expenses of South Carothers that cannot be charged against other funds or prior bond issuances.
- d. \$195,000 – Hotel/Motel Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Phase I CIP Project Hillsboro Phase II currently under construction.
- e. \$50,000 – Stormwater Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Phase I CIP Project Hillsboro Phase II currently under construction.
- f. \$552,500 – Water Taps Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Phase I CIP Project Hillsboro Phase II currently under construction.
- g. \$372,500 – Sewer Taps Fund – Fund Balance. This transfer is requested for the Hotel/Motel eligible expenses of Phase I CIP Project Hillsboro Phase II currently under construction.

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, Overall Fund Balance would be reduced by a gross total of \$3,450,056.
2. Street Aid & Transportation Fund: Increase in fund balance \$66,071.
3. Sanitation and Environmental Services Fund: Increase in fund balance, if necessary, of \$750,000.
4. County Facilities Tax Fund: Initial Fund Balance of \$3,487,056.
5. Stormwater Fund: Decrease in fund balance of \$50,000
6. Road Impact Fund: Decrease in fund balance of \$2,000,000.
7. Hotel/Motel Fund: Decrease in fund balance of \$195,000.
8. Transit Fund: Increase in fund balance, if necessary, of \$175,000.
9. Debt Service Fund: Increase in fund balance of \$792,914.



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10. Capital Projects Fund: Increase in fund balance of \$4,836,071, less a decrease of \$3,487,056 to the new County facilities Tax Fund, for a net increase of \$1,349,015.
11. Water Taps Fund: Decrease in fund balance of \$552,500.
12. Sewer Taps Fund: Decrease in fund balance of \$372,500.

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.