

May 4th, 2018

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

FROM: Eric Stuckey, City Administrator
Kristine Tallent, Assistant City Administrator/Chief Financial Officer
Michael Walters Young, Budget & Strategic Innovation Manager

RE: Consideration of Ordinance 2018-09, 4th Quarter 2018 Budget Amendments

Purpose

The purpose of this item is to amend the Fiscal Year 2018 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, 2018.

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.

To stay ahead of this responsibility, staff is proposing three budget amendments.

The amendments are as follows:

1. Year-End Transfers: This amendment has one component:
 - a. Transfer of \$250,000 from the General Fund to the Sanitation Fund for the purpose of ensuring enough fund and a positive cash balance at year end. The money will remain in the SES fund and fall to fund balance there.
2. Capital Transfer: This amendment has two components:
 - a. Transfer of \$1,500,000 from the Road Impact Fund to partially offset accrued deficits in the Multi-Purpose Capital Fund (310) attributable to road projects.
 - b. Transfer of \$1,500,000 to the Multi-Purpose Capital Projects Fund to continue to reduce the accrued deficit in that fund. It is hoped that by the end of Fiscal Year 2018, the deficit in the fund will be reduced to a manageable level (between \$2-4 million) which can be finally closed out at the end of FY 2019.
3. Water & Wastewater Funds: This amendment has several components:
 - a. Increase Revenues by allocating Fund Balance by \$5,304,521 to accommodate expenditure increases as itemized below.
 - b. Increase Water Plant expenses by \$1,300,000 to account for sharply higher Water Purchase costs compared to budget.

- c. Increase Water General expenses by \$1,884,406 to account for costs related to various water capital improvements and the continuing work on the Water Treatment Plant.
- d. Increase Wastewater Plan expenses by \$1,750,000 to account for cost related to emergency repairs to roofs at several buildings at the Water Reclamation Facility and costs incurred in the emergency repair of the 54" line earlier this year.
- e. Increase Wastewater General expenses by \$4,320,000 to account for costs related to various wastewater capital improvements and costs incurred in the emergency repair of the 54" line earlier this year.

It is hoped that this degree of budgetary appropriation will not be fully expensed at fiscal year end, but the significant costs incurred with the repair of the 54" line have put a major strain on the Water Management Fund's 2018 budget. No modification of their budget has been made before this amendment, and we are hopeful that the full amount of fund balance being appropriated will not be needed. The fund is fortunate to have significant revenue capacity available to reduce the size of the transfer from fund balance.

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

Financial Impact

The amendments, as proposed, would result in:

- 1. General Fund: No Change.
- 2. Sanitation & Environmental Services Fund: Increase of Fund Balance by \$250,000.
- 3. Road Impact Fund: Decrease of Fund Balance by \$1,500,000. Deficit will not be made up – it is the intent to apply fund balance for this amendment.
- 4. Multi-Purpose Capital Fund: Increase of \$1,500,000.
- 5. Water & Wastewater Funds: Decrease of Fund Balance by \$3,949,885. Deficit will not be made up – it is the intent to apply fund balance for this amendment.

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.