



Legislation Text

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DATE: May 3, 2019

TO: Board of Mayor and Aldermen
Budget & Finance Committee

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

SUBJECT:

Consideration of Ordinance 2019-16, 4th Quarter 2019 Budget Amendments. (05/09/19 Finance 3-0; 05/28/19 1ST BOMA Reading 7-0; 06-11-19 BOMA 2nd Reading 8-0) Third and Final Reading

Purpose

The purpose of this memo is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning amending the Fiscal Year 2019 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, 2019.

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 Clean-ups: This is a "catch-all" amendment with many components. Fundamentally, however, its purpose is to achieve one thing: balanced budgets at the cost centers within each department and fund across the City. This is why in the Ordinance most of the notations are for Amendment #1.

In detail, the amendments to individual departments and funds are as follows:

General Fund:

Revenues:

- Local Sales Tax: Increase by \$300,000. Thru 8 months of the fiscal year, year-over-year collections are up 5.7%, and even if collections drop to the level we anticipated when budgeting for FY 2019 over the last 4 months of the fiscal year, we believe that increasing the estimated collections for FY 2019 is prudent and makes budgeting for FY 2020 easier. (For FY 2020, we are budgeting a 3.5% increase over this revised collection estimate.)
- Building Permits: Decrease by \$550,000. Building permits are not keeping up with revenue forecasts for FY 2019, though this is not surprising given that a) the City has witnessed a slow down in new building starts and b) these estimates were coming off of record high permit receipt years. Lowering the estimate by \$550,000 is more accurate, and just like Local Sales Tax estimates, provides a better revenue baseline for FY 2020.
- Investment (Interest) Income: Increase by \$200,000. The City has worked hard to establish new, higher yielding investments now that base Federal Reserve interest rates have gone above 2% after a prolonged period where we earned very little. This increase is 50% higher than we budgeted for FY 2019, and still will be 6% lower than our forecast for FY 2020.
- Allocation from Fund Balance: Increase by \$1,030,000. This money will go to support amendment 3, a one-time contribution to our Pension fund. See amendment #3 for more information.

Expenditures:

- Vacancy adjustment transfers. Increase by \$665,000 across multiple departments. The City has long utilized a 3.5% decrement within budgets to balance departmental budgets annually. This is the average amount of vacancy over time the City has witnessed when departures occur. Some departments, however, do not have vacancies during the year, and as a result do not produce the anticipated savings. Administration (\$20,000), Communications (\$10,000), Police - CID (\$160,000), Fire (\$400,000), Information Technology (\$50,000) and Planning & Sustainability (\$25,000) are those such departments in FY 2019.
- Overtime. Increase by \$90,000 in Police-CID. The overtime budget across the Police Department has been inadequate for years. We are adding an additional \$75,000 to the base budget for FY 2020.
- Expense Overages: Increase by \$421,250 Across multiple departments. The departments include: Information Technology - \$160,000; Parks - \$146,250 (to account for higher than anticipated costs of Jim Warren Tennis Court Repairs); Streets - Traffic - \$115,000.
- Expense "Underages": Decrease by \$3,076,250 across multiple departments. The departments include: Traffic Operations Center: (\$2,350,000 - reduction based on project funding for ITS projects which will not be finished in FY 2019) and General Expenses: (\$726,250 - reduction based on need to balance the budget and surplus wage and medical contingency reserves not needed in FY 2019.)
 - Transfers: Increase by \$1,730,000 to multiple funds. These transfers are itemized further below in individual funds.

State Street Aid Fund:

Revenues:

- Increase Transfer from General Fund by \$250,000 and decrease Property Tax by \$250,000 for net impact of \$0. This is necessary to ensure that the "Sidewalk Gap" monies raised through Invest

Franklin end in the fund by June 30 as intended by the BOMA.

Expenditures:

- Reduce Paving by \$150,000. The FY 2019 budget was built on the assumption that year-end fund balance in the State Street Aid fund would be enough to invest more money into road paving based upon the increased collections of the IMPROVE Act. Unfortunately, the fund ended FY 2018 lower than anticipated, and this reduction in authorized expense is necessary to ensure the fund ends with an appropriate Fund Balance level as set forth by the State Comptroller's Office.

Road Impact Fund:

Revenues:

- Increase by \$251,418 via Transfer from the General Fund for the subsidizing of the Franklin Housing Authority Fees for the Chickasaw Senior Housing Development as per Resolution 2019-36.

Hotel Motel Tax Fund:

Expenditures:

- Increase by \$23,750 for higher than anticipated costs pertaining to the Jim Warren Tennis Court repair/replacement project. Additional funds have been provided for in the FY 2020 budget as well since this project will not be completed by June 30th.

Parkland Dedication Fund:

Revenues:

- Increase by \$228,582 via Transfer from the General Fund for the subsidizing of the Franklin Housing Authority Fees for the Chickasaw Senior Housing Development as per Resolution 2019-36.

Community Development Block Grant Fund:

Revenues and Expenditures:

- Increase both by \$68,000. Although the City conservatively budgets a recurring grant award of \$250,000 annually in CDBG funds, this year we received notice that our total award was \$318,000. This will allow more projects to be funded through CDBG dollars.

Drug Fund:

Expenditures:

- Increase by \$126,000 for several vehicle, radio and equipment purchases. Enough fund balance exists within the fund to accommodate these purchases.

2. Year-end Contingencies:

Just like last year, the Transit fund needs additional revenues and expenditures. Since the City must operate the Transit Fund in accordance with rules promulgated by the State Comptroller stating that no fund has a deficit fund balance or deficit cash balance at June 30, staff is recommending that a transfer not to exceed transfer amount of \$1,000,000 from the General Fund to the Transit Fund to cover operational needs.

Again, this is not an issue of the Transit operations needing more money - it is an issue of timing of grant reimbursements which both the Franklin Transit Authority and the City of Franklin's Transit

Fund budgeted for in FY 2019. Steps have been taken within the Franklin Transit Authority to mitigate this for FY 2020. Any grant funds received within the 60-day accrual period after June 30th will be credited to the Transit Fund, and the General Fund transfer will be reduced or unnecessary. Last year, less than \$150,000 of the \$1,000,000 transfer was necessary.

3. Pensions:

Increase General Expenses in the General Fund by \$1,150,000. The City's new actuary has only very recently conferred to staff the recommended funding levels for next year's pension contribution. Although we budgeted \$4.83 million across all funds in the FY 2020 budget, the actuary recommends a total contribution of nearly \$6 million. Most of this increase over what we budgeted is the result of timing - the fourth quarter of last calendar year was not kind to stocks and investment portfolios, and our pension fund was no exception. However, we are required by the State of Tennessee to put forward the contribution recommended by our actuary. This "pre-funding" will achieve this goal without requiring significant modifications to the FY 2020 budget, as proposed under Ordinance 2019-17.

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

Financial Impact

The amendments, as proposed, would result in:

1. General Fund: Decrease of Fund Balance of \$980,000. Budgetarily, this will be a net zero as fund balance will be recognized as a revenue.
2. State Street Aid Fund: Increase of Fund Balance of \$150,000.
3. Road Impact Fund: Increase of Fund Balance of \$251,418.
4. Drug Fund: Decrease of Fund Balance of \$128,000.
5. Hotel/Motel Tax Fund: Decrease of Fund Balance of \$23,750.
6. Parkland Dedication: Increase of Fund Balance of \$228,582.
7. Transit Fund: No change in Fund Balance.
8. CDBG Fund: No change in Fund Balance.

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 Ordinance.