



## STAFF REPORT

**DATE:** May 12, 2020

**TO:** Kent Cagle, City Manager

**FROM:** Jonathan Locke, Executive Director of Finance

**VIA:** Miranda Drake, Director of Budget

**SUBJECT:** Mid-Year Budget Amendment

### **BACKGROUND AND FINDINGS:**

City staff creates a mid-year budget amendment to align budgets with forecasted revenues and expenses. Staff has estimated revenues and expenses through the end of the fiscal year and identified accounts that require a budget amendment. The City Charter authorizes the City Manager to approve budget amendments between accounts of the same department and fund. The City Council must approve budget amendments between accounts of different departments and to increase the overall budget of a fund. This ordinance authorizes the recommended budget amendments.

The budget amendment predominantly addresses three major initiatives that include the movement of the departments making up Support Services, establishing a budget for the \$7.1 million Water and Sewer Bond Refunding that occurred in October 2019, and recognizing additional grant funding made available through the passing of the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act). The remaining revenue and expense budget accounts are being amended to align budgets with forecasted amounts.

The largest component of the budget amendment is moving Support Services back into the appropriate operating fund. The FY 2020 Budget moved the departments that make up Support Services into one fund. Moving the Support Services' departments into one fund has presented challenges. It has been determined that the best option is to move Support Services back to the operating funds with the other departments. Doing this now will prevent loss of historical information in the operating funds for comparative purposes. The budget amendment does not increase Support Services' budgeted expenses to facilitate the move. It simply moves the budget from the Support Services fund to the appropriate operating fund.

At the end of Fiscal Year 2019, City Council authorized the refunding of Water and Sewer bonds to reduce interest payable on outstanding bonds thereby saving the City money. The refunding saved the Water and Sewer Fund a net present value of \$435,557 or 6.2% over the life of the bonds. The amendment provides the budget for the bond refunding transaction.

The final major element of the amendment provides a budget for CARES Act funding:

- 1) Additional Community Development Block Grant (CDBG) funding received in response to the passage of the CARES Act. The CARES Act made \$613,676 in additional CDBG funds available to assist the City in preventing, preparing for, and responding to the Coronavirus. City Council held a public hearing on the recommended use of these funds at the April 28, 2020 Council meeting. City staff has learned that a second round of CARES Act funding is forthcoming. The U.S. Department of Housing and Urban Development is developing a formula to allocate the second round of funding.
- 2) The Federal Aviation Administration (FAA) awarded Aviation \$717,498 to provide funding to offset the decline in revenues due to the diminished airport operations as a result of the COVID-19 public health emergency. City Council will consider acceptance of this grant at the May 12, 2020 City Council meeting. City staff expects to receive a second grant award from the FAA in the coming weeks.
- 3) The U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance made available \$230,937 to assist the City in preventing, preparing for, and responding to the Coronavirus. The grant funding will be used by the Police and Fire Department for expenses such as overtime, supplies, equipment, and training related to COVID-19.

**THE ALTERNATIVES CONSIDERED:**

No alternatives were considered.

**Which alternative is recommended? Why?**

A budget amendment is needed and requires City Council approval.

**CONFORMITY TO CITY POLICY:**

The City's Financial Governance Policies, Section V. Budget Administration (B)(1) states that City Council may amend or change the budget by ordinance.

**FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

Upon approval, expenditure accounts will be amended in the FY 2020 Budget as follows:

- General Fund - increase of \$8,983,570 in revenues and \$6,733,764 in expenses. Net result is an increase of \$2,249,806 in fund balance, which is the return of General Fund's contribution to establish the Support Services Fund.
- Water and Sewer Fund - increase of \$8,411,782 in revenues and \$7,161,323 in expenses. The bond refunding accounts for the majority of the increase in revenue and all of the expense. Net result is an increase of \$1,250,459 in fund balance, which is primarily the return of Water and Sewer's contribution to establish the Support Services Fund.
- Solid Waste Fund - increase of \$564,119 in revenues and \$0 increase in expenses. Net result is an increase of \$564,119 in fund balance, which is the return of Solid Waste's contribution to establish the Support Services Fund.
- Drainage Fund - no change in revenues or expenses.

- Aviation Fund - increase of \$717,498 in revenues and no change in expenses. This increase in revenue is due to the additional CARES Act funding.
- Special Revenue Funds - increase of \$620,064 in revenues and \$604,113 in expenses. This is primarily due to the additional CARES Act funding.
- Internal Service Funds - decrease of \$14,039,843 in revenues and \$9,978,887 in expenses. Net result is a decrease of \$4,060,956 in fund balance, which is due to returning the General Fund, Water and Sewer, and Solid Waste's contribution to establish the Support Services Fund.
- Capital Improvement Project Funds - increase of \$93,435 in revenues and \$93,435 in expenses.

**Is this a one-time or recurring expenditure?**

N/A

**Is this expenditure budgeted?**

N/A

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

N/A

**RECOMMENDATION:**

City Council approve the ordinance amending the FY 2020 Annual Budget.

**DEPARTMENTAL CLEARANCES:**

Finance  
Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance