



## STAFF REPORT

**DATE:** April 20, 2021

**TO:** Kent Cagle, City Manager

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

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

**SUBJECT:** Budget Amendment

### **BACKGROUND AND FINDINGS:**

City staff monitors financial activity and forecasts yearend results to ensure compliance with the budget approved by City Council. This process assists in identifying accounts that may require a budget amendment during the fiscal year. The City Charter authorizes the City Manager to approve budget transfers between accounts of the same department. City Council must approve transfers between departments and to increase the overall fund appropriations. The purpose of this budget amendment is described below and grouped by fund type.

#### Operational Funds -

There are three operational fund items addressed in this budget amendment:

1. As a result of the Governmental Accounting Standards Board (GASB) statement no. 87, the rules regarding the accounting of leases have changed. In the year in which a lease is made, the fund must appropriate the revenue and expense of the total cost of the asset. In addition, the lease payments must be broken down and reported as principal and interest payments. This budget amendment includes three leases in the General Fund totaling \$171,220 and one lease in the Solid Waste Fund in the amount of \$192,726.
2. Appropriation of the remaining funds from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) grant received by Aviation in FY 2020. The City of Killeen was awarded \$2,217,498 in CARES Act funding in FY 2020 and Aviation planned to use the grant funding over fiscal year 2020 and 2021. During the FY 2021 budget process, \$28,242 was appropriated for FY 2021 as staff estimated the majority of the grant would be used through the end of FY 2020. Only \$1,302,195 was used during FY 2020, so the budget amendment appropriates the remaining \$887,061.
3. Solid Waste finished FY 2020 with fund balance over the 22% threshold established in the Financial Governance Policy. The governance policy requires the amount over 22% to be transferred to the appropriate capital project fund. The amount of fund balance over 22% is estimated to be \$217,853. The budget amendment transfers \$198,122 of this amount for a project discussed further in the Capital Improvement Project section below.

<b>FY 2021 Operational Funds</b>	<b>Revenue Budget</b>
General Fund	\$171,220
Aviation Fund	887,061
Solid Waste Fund	192,726
<b>TOTAL</b>	<b>\$1,251,007</b>

<b>FY 2021 Operational Funds</b>	<b>Expenditure Budget</b>
General Fund	\$171,220
Solid Waste Fund	390,848
<b>TOTAL</b>	<b>\$562,068</b>

Special Revenue Funds -

There are two programs and grants addressed in this budget amendment:

1. The Library Memorial Fund received a donation of \$39,626. The Library is requesting to appropriate the donation to purchase a custom-designed circulation/reference counter.
2. Community Development received notification from the Department of Housing and Urban Development (HUD) of a calculation error in the FY 2021 fund allotment to be received. This budget amendment reduces the amount budgeted in revenues and expenditures by \$250 to balance with the revised grant amount.

<b>FY 2021 Programs and Grants</b>	<b>Revenue Budget</b>
Special Revenue Funds	\$39,376
<b>TOTAL</b>	<b>\$39,376</b>

<b>FY3 2021 Programs and Grants</b>	<b>Expenditure Budget</b>
Special Revenue Funds	\$39,376
<b>TOTAL</b>	<b>\$39,376</b>

Capital Improvement Projects -

There are three capital improvement project changes in this budget amendment:

1. Currently, there is \$66,721 available in the Golf Capital Projects Fund. Indigo Golf Partners requested to use the capital project funds to pay for the conversion of the fairway grass and provide lighting at the driving range. Conversion of the fairway grass is \$24,049 of the amendment and will reduce the use of pesticides and fertilizers versus maintaining the older variety of grass that currently is in place. The addition of lighting at the driving range is \$42,672 and will enable the Golf Course to increase its hours of operation throughout the year and generate additional revenue.
2. As stated earlier, the Solid Waste Fund currently has a fund balance in excess of 22%. The budget amendment will transfer \$198,122 to the Solid Waste capital project fund to purchase a multi-material baler for recycling. Recyclable material buyers prefer to receive baled materials as it allows for more material to be transported per load and increases the revenues associated with the sale of the materials. The purchase of the baler will allow for estimated annual savings of \$6,800 being paid to the City of Temple to process plastics, as well as \$86,000 in annual transportation and labor expenses. In addition, revenues

are anticipated to increase by 15% or \$10,000 per year. Combining the cost savings and increased revenue, the bailer will have an estimated positive impact on the Solid Waste operating fund of \$102,800 per year. This is a return on investment of less than two years.

3. The Drainage Bond Fund has \$22,207 of unobligated funds that are being appropriated to the Greenforest Circle project.

<b>FY 2021 Capital Improvement Projects</b>	<b>Revenue Budget</b>
Solid Waste CIP Fund	\$198,122
<b>TOTAL</b>	<b>\$198,122</b>

<b>FY 2021 Capital Improvement Projects</b>	<b>Expenditure Budget</b>
Golf Capital Project Fund	\$66,721
Solid Waste CIP Fund	198,122
Drainage Bond Fund	22,207
<b>TOTAL</b>	<b>\$287,050</b>

### **THE ALTERNATIVES CONSIDERED:**

- 1) Do not approve the ordinance amending the FY 2021 Annual Budget.
- 2) Approve the ordinance amending the FY 2021 Annual Budget.

### **Which alternative is recommended? Why?**

Option 2 is recommended to approve the ordinance amending the FY 2021 Annual Budget to address the items outlined above.

### **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:**

Upon approval, expenditure accounts will be amended in the FY 2021 Budget as follows:

- ☐ General Fund - increase of \$171,220 in revenues and \$171,220 in expenditures.
- ☐ Solid Waste Fund - increase of \$192,726 in revenues and \$390,848 increase in expenses. Net result is a decrease of \$198,122 in fund balance.
- ☐ Aviation Fund - increase of \$887,061 in revenues.
- ☐ Special Revenue funds - increase of \$39,376 in revenues and \$39,376 in expenditures.
- ☐ Capital Improvement Project funds - increase of \$198,122 in revenues and \$287,050 in expenditures. Net result is a decrease of \$88,928 in fund balance.

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

N/A

**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 2021 Annual Budget.

**DEPARTMENTAL CLEARANCES:**

Finance

Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance