



# City of Killeen

## Legislation Text

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File #: PH-18-024, Version: 1

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**HOLD** a public hearing and consider an ordinance amending the FY 2018 Annual Budget and Plan of Municipal Services of the City of Killeen to adjust revenue and expenditure accounts in multiple operating, special revenue, internal service, and capital improvement project funds.

**DATE:** August 21, 2018

**TO:** Ronald L. Olson, City Manager

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

**SUBJECT:** Year-end Budget Amendment

### **BACKGROUND AND FINDINGS:**

City Council adopted the Financial Governance Policies on December 19, 2017. Section ten of the document establishes guidelines for reserve fund balances. In order to mitigate financial risk that may arise from unforeseen revenue fluctuations, significant unanticipated expenses, and natural disasters, the City requires that major operating funds maintain an unassigned fund balance reserve between 18% and 22% of operating expenditures. The policy states that fund balance in excess of 22% must be used for capital projects or programs.

In March 2018, Belt, Harris, Pechacek presented the FY 2017 audit results to City Council. The audited financial statements were used to calculate the estimated amount of unreserved fund balance that will exceed 22% of proposed FY 2019 operating expenditures. This budget amendment will move the calculated amounts to the respective capital improvement fund.

In addition, the budget amendment will provide budgets for operational needs identified by departments and Finance. This includes transferring budgets within the General Fund, which will not increase overall appropriations, as well as increase expenditure budgets in the Solid Waste Fund, multiple special revenue funds, internal service funds, and capital improvement project funds.

### **THE ALTERNATIVES CONSIDERED:**

Three alternatives were considered: 1) Amend the budget to address the identified needs; 2) Do not amend the budget; and 3) Amend the budget for a portion of the identified needs.

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

Option 1 is recommended. The budget amendment will allow the City to stay in compliance with the Financial Governance Policies and establish a budget for identified needs through the end of the fiscal year.

**CONFORMITY TO CITY POLICY:**

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

2) The Financial Governance Policies, Section X. Fund Balance (C)&(D) states that unreserved fund balances in excess of 22% will be used for capital project type expenses.

**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 2018 Budget as follows:

- General Fund - increase of \$2,197,497 to transfer fund balance to CIP.
- Water and Sewer Fund - increase of \$5,105,119 to transfer fund balance to CIP.
- Drainage Fund - increase of \$3,325,606 to transfer fund balance to CIP.
- Aviation Fund - increase of \$90,000 covered by increased revenue.
- Solid Waste Fund - increase of \$62,510 covered by fund balance.
- Solid Waste Fund - increase of \$2,200,718 to transfer fund balance to CIP.
- Special Revenue Funds - increase of \$486,634 covered by increased revenue and fund balance.
- Internal Service Funds - increase of \$3,639 covered by increased revenue.
- Capital Improvement Project Funds - increase of \$12,998,940 covered by increased revenue.

**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:**

Staff recommends that City Council approve the ordinance amending the FY 2018 Annual Budget and Plan of Municipal Services.

**DEPARTMENTAL CLEARANCES:**

Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance