

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Public Hearing and Action: Resolution Adopting a Supplemental Budget; Making Appropriations for the City of Eugene for the Fiscal Year Beginning July 1, 2014, and Ending June 30, 2015

Meeting Date: December 8, 2014
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 4
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ISSUE STATEMENT

Council approval of the first Supplemental Budget (SB1) for Fiscal Year 2015 (FY15) is requested. Oregon Local Budget Law (ORS 294.471) allows for supplemental budgets in the event of “an occurrence or condition that is not ascertained when preparing the original budget or a previous supplemental budget for the current year.” ORS 294.471 also allows for a supplemental budget if there are “funds that are made available by another unit of federal, state or local government and the availability of which could not reasonably be foreseen when preparing the original budget.” This Supplemental Budget does not authorize any increase in the property tax levy and has been published in compliance with the Oregon Local Budget Law.

BACKGROUND

The Supplemental Budget that occurs in December of a fiscal year is usually the largest because of the audit adjustments to budgeted Beginning Working Capital and the reappropriation of funds from the prior fiscal year for contracts, program initiatives or projects that were started but not completed in that fiscal year. This Supplemental Budget also recognizes new revenue and authorizes other unanticipated changes in legal appropriations.

Transactions Related to Beginning Working Capital

Isler & Company, LLC, the City's external auditor, has completed its Fiscal Year 2014 (FY14) audit of Beginning Working Capital, and this Supplemental Budget includes Marginal Beginning Working Capital (MBWC) adjustments for all City funds. The MBWC is the difference between the estimate of ending working capital that was made in the adopted budget for FY15 and the audited actual FY14 ending working capital. This adjustment is recognized on SB1 and is the largest component of the transactions included in this budget request.

General Fund Carryover Reconciliation

The total of the Marginal Beginning Working Capital adjustment and the FY15 budgeted reserve for encumbrances in the Main Subfund of the General Fund is \$7,029,526. The aggregated beginning resources for FY15 were under-estimated by that amount when the budget was prepared in early 2014.

This adjustment is primarily due to \$2.4 million in revenues that were higher than the estimate that was used to prepare the FY15 budget, including \$0.8 million in additional property tax revenue due to higher assessed value than was originally projected, \$0.9 million due to a settlement with MCI and \$0.8 million due to the sale of a parking lot to the Shedd Institute. The remainder of the \$4.5 million in the MBWC adjustment comes from under-spending in the personnel budget throughout all departments primarily due to vacant positions.

Of this amount, \$1,508,436 is dedicated to prior fiscal year encumbrances (contracts that were in effect but not completed as of June 30) and \$1,148,493 is dedicated to reappropriation of prior project funding such as the Regional Prosperity Plan, the Jail Bed Analysis Study, and the Library Materials Handling System. Prior fiscal year encumbrances were budgeted at \$1,714,021, leaving an additional \$205,585 for appropriation. The City Manager’s recommendation for use of the remaining \$5,536,618 is detailed below and is included in a summary of the General Fund reappropriations and other uses of MBWC in Attachment A.

The City Manager’s recommendation for use of one-time MBWC focuses on four areas: City Council initiatives, infrastructure and system needs, creative ideas to generate revenue or reduce operating expenses and strategic investments. Of the \$5.5 million, \$3.6 million (about 2/3) is recommended to be spent on City Council initiatives, such as completion of the City Hall funding, parks maintenance, Climate Recovery Ordinance, Envision Eugene, and so on. About 20 percent (\$1.1 million) is recommended to be spent on key infrastructure and systems, such as 911 center equipment, fire turnouts, and technology priorities. The remainder (\$760,000) is recommended to be spent on projects that will allow the City to reduce costs and energy usage, improve access to technology at lower costs, and move forward on some strategic issues such as criminal justice system needs and Operation 365. Details of the recommendations are included in the tables below.

City Council Initiatives

Transfer to the General Capital Projects Fund for City Hall (see below for more explanation)	2,434,851
Transfer to the General Capital Projects Fund for general capital projects	509,232
Parks, Recreation, and Open Space Master Plan	180,000
Envision Eugene strategic activities	175,000
Expand car camping and hours at SVDP Single Access Center for Homeless	125,000
Add to Parks Maintenance operating budget	98,927
Sick Leave Ordinance contractual services and program implementation	58,300
Climate Recovery Ordinance contractual services	35,000
Portable restroom funding	25,000
	3,641,310
Total City Council Initiatives	

Infrastructure & System Needs

Console replacement at Central Lane Communications/911 Center	513,828
Organization-wide technology mobility enhancements – servers and wi-fi	250,000
Corporate software replacement (Accounting, Budget, HR, Risk)	200,000
Emergency preparation for Roosevelt Yard facilities, including backup generators, structural improvements and roof repairs	96,480
Transfer to the Equipment Replacement Fund for fire turnouts	75,000
Total Infrastructure and System Needs	<u>1,135,308</u>

Creative Investments to Lower Operating Costs or Increase Revenues

Organization-wide technology mobility enhancements for remote email hosting	250,000
Transfer to the Information Systems and Service Fund for transition to Microsoft VoIP technology	225,000
Transfer to the Parking Services Fund for credit card parking meters	70,000
Transfer to the Facilities Services Fund for LED lighting study and pilot project at Hilyard Community Center	65,000
Total Creative Investments to Lower Operating Costs or Increase Revenues	<u>610,000</u>

Strategic Investments

Community Justice funding	75,000
Operation 365 funding	75,000
Total Strategic Investments	<u>150,000</u>

City Hall Project

The City Manager is recommending that \$2,434,851 be transferred from the General Fund to the General Capital Projects Fund for the City Hall Project. This represents several pieces:

- Funding for the addition of a 4th floor to Phase 1 of the project equal to \$2.85 million, as approved by the City Council on October 27, 2014. Funding consists of contributions from the Road, Professional Services, Stormwater and Wastewater funds to provide \$135,000 each towards the 4th floor addition to the project, with additional contributions to be made in each of the next five fiscal years, plus a portion of the proceeds from the sale of a parking lot to the Shedd Institute.
- Additional transfers to complete the General Fund portion of the original \$15 million project funding, including a portion of the General Capital Projects transfer, the remainder of the proceeds from sale of a parking lot to the Shedd Institute, proceeds from the MCI settlement, and some additional MBWC to complete the \$15 million project budget funding.

After this supplemental budget, the City Hall project appropriation will total \$17.85 million, with \$15.7 million in hand and \$2.1 million to come from future non-General Fund payments.

Reserve for Revenue Shortfall

The City Manager is recommending that the remaining \$550,000, after taking into account the above uses of MBWC, be placed in the Reserve for Revenue Shortfall. This amount is equal to the

one-time additions in the FY15 Adopted Budget for the Sheldon Branch Library and Human Services Commission. This action will ensure another year of stability for these functions. After this Supplemental Budget, there will be a total of \$6,684,237 in the Reserve for Revenue Shortfall, which represents 4.8 percent of the FY15 adopted General Fund operating expenditures.

General Fund Ending Working Capital

FY14 actual results show an ending working capital (EWC) in the General Fund, reporting fund (including the Main Subfund, Cultural Services Subfund and Equipment Replacement Subfund) of \$42,332,747 which is \$3,487,555 more than the FY13 EWC and \$7,861,511 more than anticipated for carryover resources in the FY15 Adopted Budget. These figures are reported on a Budget Basis of accounting.

On a Generally Accepted Accounting Principles (GAAP) basis, the FY13 Ending Fund Balance represented 32 percent of the General Fund revenues in FY13, which increased to 34 percent based upon FY14 actual results. GAAP results differ from budget basis results because the budget is created on a modified accrual basis while GAAP rules are slightly different in terms of when revenues and expenditures are recognized. The chart below compares FY13 and FY14 Ending Fund Balance for the General Fund (GAAP Basis).

General Fund Ending Fund Balance GAAP Basis	Main Subfund	Cultural Services Subfund	Equipment Replacement Subfund	Total Reporting Fund
FY13	\$36,114,771	\$2,320,742	\$1,114,343	\$39,549,856
FY14	\$39,117,324	\$2,488,436	\$1,362,302	\$42,968,062
Change	\$ 3,002,553	\$ 167,694	\$ 247,959	\$ 3,418,206

The Ending Working Capital is broken down into several components, as shown in the following chart. Nearly all of the items in the Ending Working Capital (or fund balance) have been appropriated or designated by the City Council either through policy or past budget actions. Note that the portion that is shown as “Unassigned” is being considered for appropriation by the City Council on this Supplemental Budget request.

Category	Item	Explanation	FY13	FY14	Change
Non-Spendable		Prepays and deposits have already been paid out and are not available for other spending	\$762,321	\$623,852	(\$138,469)
Restricted	Cultural Services	From Transient Room Tax; must be spent according to state law	1,058,040	1,088,331	30,291
Assigned	Unappropriated Ending Fund Balance	Pay bills and payroll until property taxes are received; set at 2 months of expenditures per Council policy	21,670,000	21,710,000	40,000
	Cultural Services	Prudent reserve for operation of Hult Center, etc	1,262,701	1,400,106	137,405
	Encumbrances	Contracts that were not complete as of June 30	1,432,484	2,439,332	1,006,848
	Reserve for Next Year's Spending	Used to balance the subsequent year's budget	3,970,995	1,724,995	(2,246,000)
	Reserve for Revenue Shortfall	Prudent reserve for the General Fund; target is 8% of expenditures	4,895,575	6,134,237	1,238,662
	Other Reserves	For property tax appeals and equipment replacement	1,536,335	1,224,706	(311,629)
Unassigned		Appropriated on Supplemental Budget #1 in December of the following fiscal year and no longer available for spending	2,961,405	6,622,503	3,661,098
Total Fund Balance			\$39,549,856	\$42,968,062	\$3,418,206

General Fund Revenue Adjustments

This Supplemental Budget includes a total of \$1,818,508 in General Fund (Main Subfund) revenue increases. These revenues include grants rebudgeted from the prior fiscal year, new FY15 grants, Police dispatching and reimbursable overtime charges, Municipal Court collection fees, and Police charges to the Oregon Department of Transportation (ODOT). Operating budget appropriations for the departments receiving these revenues are being increased by the same amount.

Capital Carryover

The Capital Project Carryover Reconciliation is also included in this Supplemental Budget. An estimate of the unspent balance in each capital project was established in the FY15 Adopted Budget. These estimates have been reconciled with the actual FY14 expenditures, and the Capital Budget is adjusted to reflect the remaining unspent balances in each project. The Capital Carryover on this Supplemental Budget reduces the Capital Budget by \$7,913,848 and increases Balance Available by the same amount.

Non-General Fund Transactions

This Supplemental Budget recognizes approximately \$21 million in non-general fund transactions, other than MBWC, new revenue adjustments, encumbrances and capital carryover reconciliation. Much of this total is reflected in recognizing and re-budgeting \$11 million in grants and other revenue. This budget also includes non-general fund reappropriations for projects not completed in the prior fiscal year. Other non-general fund transactions are described in Attachment A.

Timing

In some cases, expenditure authority is needed immediately to carry out City Council direction or to meet legal or program requirements. Approval of SB1 in December allows the organization to prepare more accurate mid-year projections by having the general ledger reflect the audited balances in each fund. This, in turn, enables staff to more accurately project the Beginning Working Capital for the next fiscal year's Proposed Budget.

RELATED CITY POLICIES

These transactions conform to the City's Financial Management Goals and Policies.

COUNCIL OPTIONS

Particular requests requiring more information or discussion may be removed from the supplemental budget and delayed for action in a future supplemental budget. In certain cases there may be a financial or legal impact to delaying budget approval. The council may also adopt amended appropriation amounts or funding sources for specific requests in the supplemental budget.

CITY MANAGER'S RECOMMENDATION

Approve the attached resolution adopting the Supplemental Budget.

SUGGESTED MOTION

Move to approve Resolution 5124, adopting a Supplemental Budget; making appropriations for the City of Eugene for the Fiscal Year beginning July 1, 2014, and ending June 30, 2015.

ATTACHMENTS

- A. Transaction Summary
- B. Resolution

FOR MORE INFORMATION

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