

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, 2013 and Ending June 30, 2014

Meeting Date: December 9, 2013
Department: Central Services
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Agenda Item Number: 3
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ISSUE STATEMENT

Council approval of the first Supplemental Budget (SB1) for Fiscal Year 2014 (FY14) 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 2013 (FY13) audit, 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 FY14 and the audited actual FY13 revenues and expenditures. 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 FY14 budgeted reserve for encumbrances in the Main Subfund of the General Fund is \$4,517,871. Of this amount, \$1,104,010 is dedicated to prior fiscal year encumbrances (contracts that were in effect but not completed as of June 30) and \$814,135 is dedicated to reappropriation of prior project funding such as Homeless Winter Strategies, Economic Prosperity Plan and Buckley House. The City

Manager's recommendation for use of the remaining \$2,599,726 of carryover resources along with a summary of the General Fund reappropriations and other uses of MBWC is included in Attachment A.

Additionally, the City Manager is recommending the use of General Fund MBWC for the following purposes:

- \$1,500,000 interfund transfer to the Facility Replacement Reserve in the Facilities Services Fund for the City Hall project, which includes reallocation of \$500,000 from the General Capital Fund transfer plus an additional \$1,000,000.
- \$400,000 interfund transfer to the General Capital Projects Fund for capital preservation projects, which is reduced by \$500,000 due to reallocation to the City Hall project as stated above;
- \$100,000 intrafund transfer to the Equipment Replacement Subfund to pay for Fire turnout gear and hydrant replacement;
- \$15,000 increase in the Central Services Department operating budget to cover the costs associated with the court-appointed attorney contract.

After completing these transactions, and adding \$310,684 from MBWC, there will be a total of \$9,791,607 budgeted in the Facility Replacement Reserve. The MBWC adjustment in the reserve was mainly due to the receipt of \$300,000 from the remaining sale proceeds from 858 Pearl Street.

Reserve for Revenue Shortfall

The City Manager is recommending that the remaining \$584,726, after taking into account the above uses of MBWC, be placed in the Reserve for Revenue Shortfall. After this Supplemental Budget, there will be a total of \$5,480,301 in the Reserve for Revenue Shortfall, which represents 4.2 percent of the FY14 adopted General Fund operating expenditures. This represents a decrease in the Reserve for Revenue Shortfall of \$5,117,426 from the end of the previous fiscal year.

General Fund Ending Working Capital

FY13 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 \$38,845,192 which is \$2,828,246 less than the FY12 EWC and \$3,477,471 more than anticipated for carryover resources in the FY14 Adopted Budget. These figures are reported on a Budget Basis of accounting.

On a Generally Accepted Accounting Principles (GAAP) basis, the FY12 Ending Fund Balance represented 35 percent of the General Fund revenues in FY12, which dropped to 31 percent based upon FY13 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 FY12 and FY13 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
FY12	\$39,481,346	\$2,383,763	\$1,225,757	\$43,090,866
FY13	\$36,114,771	\$2,320,742	\$1,114,343	\$39,549,856
Change	(\$ 3,366,575)	(\$ 63,021)	(\$ 111,414)	(\$ 3,541,010)

General Fund Revenue Adjustments

This Supplemental Budget includes a total of \$2,258,355 in General Fund (Main Subfund) revenue increases. These revenues include grant revenues rebudgeted from the prior fiscal year, new FY14 grant revenues, Police dispatching and reimbursable overtime charges, 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 FY14 Adopted Budget. These estimates have been reconciled with the actual FY13 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 \$6,887,242 and increases Balance Available by the same amount.

Recognition of New Revenues

There are transactions on this Supplemental Budget that recognize new revenues, primarily from grants and other governmental agencies, and increase the operating, capital and non-departmental budgets. In some cases, capital project support from other governments for ongoing projects is put into Balance Available because the project is currently budgeted, and the fund is being reimbursed for a share of the costs already appropriated or incurred. Grants that are received over a period of more than one fiscal year have their appropriation balances and revenues re-budgeted in the current fiscal year.

Non-General Fund Transactions

This Supplemental Budget recognizes approximately \$12 million in non-general fund transactions, other than MBWC, encumbrances and capital carryover reconciliation. Most of this total is reflected in recognizing and re-budgeting \$7.4 million in grants and other agency revenue. This Supplemental 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 adopt Resolution 5098, adopting a Supplemental Budget; making appropriations for the City of Eugene for the Fiscal Year beginning July 1, 2013, and ending June 30, 2014.

ATTACHMENTS

- A. Transaction Summary
- B. Resolution

FOR MORE INFORMATION

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