

Date: May 17, 2012
To: Thomas J. Bonfield, City Manager
Through: Wanda S. Page, Deputy City Manager
From: Bertha T. Johnson, Budget Director
 John Allore, Assistant Budget Director
Subject: FY2011-12 Budget Ordinance, Internal Service Plan and Grant Project Ordinance Amendments

EXECUTIVE SUMMARY

Fiscal actions during the year require various amendments to the FY2011-12 Budget Ordinance, Internal Service Spending Plan and Grant Project Ordinances. These amendments are the final fiscal budget actions for this fiscal year for financial reporting and are described below.

A summary of all amendments to the **FY2011-12 Budget Ordinance** operating funds is shown in the table below:

General Fund	\$ 16,182,447.49
Emergency Telephone System Fund	\$ 322,143.48
Capital Facilities Fee Fund	\$ 775,000.00
Transit Fund	\$ 90,000.00
Durham Performing Arts Center Fund	\$ (110,049.00)
DPAC Capital Reserve Fund	\$ (110,049.00)
Total	\$ 17,149,492.97

RECOMMENDATION

The Administration recommends that the City Council adopt an ordinance amending the **FY2011-12 City of Durham Budget Ordinance** as amended, the same being **Ordinance #14155** for the purpose of making technical corrections, accounting for debt refunding, and recognizing revenues and appropriating corresponding expenses for Capital Facility Fees, and for Transit operations.

The Administration recommends that the City Council rescind **Grant Project Ordinance # 14206**, and adopt a resolution accepting the **2011 Diesel Emissions Reduction Grant** of **\$82,048** for the purpose of allowing its appropriation to the CIP, and authorize the City Manager to execute the grant agreement.

The Administration recommends the City Council adopt the following **Grant Project Ordinances**:

1. FY 2005-06 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #13129
2. FY 2006-07 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #13434
3. FY 2007-08 Section 5307 Bus Grant superseding Ordinance #13702
4. FY 2008-09 Section 5307 Bus Grant superseding Ordinance #13699
5. FY 2010-11 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #14076
6. FY 2011-12 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #14146

Finally, the Administration recommends the City Council adopt a Resolution superseding **Resolution #9786** to amend the **Risk and Fleet Internal Service Funds** Fiscal Year 2011-12 Financial Plans for the purposes of correcting technical items related to the first FY 2011-12 budget amendment approved in November 2011.

BACKGROUND

Annually adopted budgets require amendments to reflect changes in spending/revenue sources and specific budget allocations. Any increase or decrease in total budgets, within the precepts outlined in the annual budget ordinances/resolutions, requires adoption by the City Council to amend these budgets.

ISSUES/ANALYSIS

The **City of Durham Budget Ordinance** is being amended to make technical corrections to operating funds including the **General Fund, Emergency Telephone System Fund, Capital Facilities Fee Fund, Transit Fund, Durham Performing Arts Center Fund, and the DPAC Capital Reserve Fund.**

In November 2011 a budget amendment was approved to dismantle the **Fleet Internal Service Fund** and establish capital projects for fleet purchases. In that amendment, it was described as the beginning of the process of eliminating the Fleet Fund. This amendment completes that process. At the time of the earlier amendment, estimated excess fund balance was transferred from the former Fleet Internal Service Fund to the **General Fund**. However, a subsequent reconciliation revealed that the transfer should have been **\$52,951.51** less. This amendment makes the correction.

The State 911 Board is requiring ledger entries to be recorded so the City is able to claim specific prior year **\$322,143.48** of costs in the **General Fund** against the **Emergency Telephone System Fund**, and move an equal amount of ineligible costs back out of the Emergency Telephone System Fund to the General Fund. Without the entries, the General Fund would have to assume these charges. This part of the amendment increases the budgets of both the General Fund, and Emergency Telephone System Fund through transfers only.

The **Transit Fund** is projected to exceed budget by up to **\$90,000.00** due primarily to fuel costs throughout FY 2011-12. The current budget transfers funds from the **General Fund** to the Transit Fund in an amount equal to 3.23 cents on the adopted FY 2011-12 tax rate. This amendment increases that transfer by \$90,000.00 to cover the expected overage.

For the past several years, actual revenues in the **Capital Facilities Fee Fund** have been below expectations. In FY 2011-12, the budget was set very conservatively. Updated Revenue projections indicate that collections will exceed budget by at least **\$775,000** by year end. This amendment recognizes the increase in revenues and the corresponding transfer to capital funds to fund Water and Sewer capital projects.

For many years, the **General Fund** has served as a pass through for revenues and expenses associated with the Hosiery Mill's debt and rental income. This resulted in net revenue of **\$578,255.52** (which is in the GF fund as restricted fund balance for Durham Hosiery Mill). Finance is taking this off of the ledger because it should not have been recorded as a pass through, and paying the rest of the debt with fund balance that is restricted for that purpose. The net effect is an increase to the General Fund budget of \$268,255.52 as that restricted fund balance is being appropriated.

Each year, the **Durham Performing Arts Center Fund** budgets ticket facility fees. In the DPAC agreement, these fees are transferred to the **DPAC Capital Reserve Fund**. Reconciliation occurs the following year, and any necessary adjustments are made. The FY 2010-11 transfer was inflated by **\$17,049.00**, so this amendment decreases the FY 2011-12 transfer by that amount. The FY 2011-12 transfer is budgeted was also inflated based on end of year projections, so this amendment also reduces that budget by **\$93,000.00**.

On May 17, 2012, the City successfully completed the private placement of its **2012 Limited Obligation Bonds (LOBs)**, Series 2012A and 2012B in the total par amount of \$15,555,000. The transaction refinanced Certificates of Participation issued in 2003 and 2005. The combined refinancing resulted in net present value savings of \$1,145,819 or 8.14% of the refunded bonds. Gross savings over the life of the financing (13 years) will be approximately \$1,355,266. This amendment adds the **\$15,555,000** to the **General Fund** to account for this transaction.

In December 2011, City Council adopted Grant Project Ordinance (GPO) 14206 which is the **2011 Diesel Emissions Reduction Grant for \$82,048.00**. This was adopted near the same time that the **Fleet Internal Service Fund** was being transitioned into separate capital projects. Proper recognition of the grant as part of the new capital project requires that the previous GPO be rescinded, and a grant resolution adopted as part of the **Fleet capital project**. The CIP appropriation for this is taking place with the adoption of the FY 2012-13 CIP.

Transportation is amending several Grant Project Ordinances for **Transit** related items. These grants were recently reviewed by Federal Transit Administration auditors. These amendments make technical corrections to bring the ordinances into compliance, and are necessary to appropriately classify expenses in the Transit Fund this year.

The proposed **Internal Service Funds Spending Plan Resolution** corrects previous typographical errors, and cleans up the remaining remnants of the former **Fleet Fund** properly. The charges for current services in the **Risk Reduction Fund** are lowered as the required contributions from the General Fund were slightly less than budgeted. These savings in the General Fund of **\$70,000** were used to purchase entry pass systems for Fire to address a pressing security need. There were no dollar changes to the **Employee Insurance Fund**.

ALTERNATIVES

City Council could choose not to adopt any portion of the recommended amendments, however, that would be inconsistent with prudent financial practices and could result in negative findings from the Local Government Commission and/or the City's external auditors.

FINANCIAL IMPACT

The **General Fund** increases by a total of **\$16,182,447.49**. This consists of the \$15,555,000.00 debt refunding, the \$322,143.48 transfers transaction with the Emergency Telephone System Fund (which increases the Emergency Telephone Fund by that same amount), a net \$268,255.52 increase related to removing the Hosiery Mill transactions from the general ledger, the \$90,000.00 increase for the transfer to the Transit Fund (so the Transit Fund also increases by the same amount), and a decrease of \$52,951.51 which fixes the previous transfer of fund balance from the former Fleet Fund to the General Fund. The **Capital Facilities Fee Fund** increases by **\$775,000.00** to recognize revenues received in excess of budget. The **Durham Performing Arts Center Fund** and the **DPAC Capital Reserve Fund** both decrease by **\$110,049.00** as the transfer to the Capital Reserve is corrected for FY 2010-11 actual amounts and for estimated FY 2011-12 amounts. All other adjustments do not require additional funding outside that already authorized by City Council action.

The Grant Project Ordinances for **Transit** will allow for **\$397,076.80** in existing eligible grant expenses to be applied against these grants.

The Financial Plans for Internal Service Funds decreases **the Risk Reduction Fund** by **\$70,000** for the decrease in charges for services required from the General Fund. **The Fleet Acquisition Fund** increases by **\$181,341.49**. This consists of a \$201,447.00 increase that was an inadvertent omission of appropriated fund balance on the previous resolution, a \$32,846.00 increase resulting from mistakenly not including carryovers in the previous resolution, and a decrease of \$52,951.51 due to the fund balance transfer to the General Fund issue described earlier. There is no change to the Employee Insurance Fund.

SDBE INFORMATION

Not Applicable.

ATTACHMENTS:

- Budget Ordinance to amend the FY2011-12 City of Durham Budget Ordinance as amended, the same being Ordinance #14155
- Resolution Establishing FY2011-12 Financial Plans for Internal Service Funds superseding Resolution #9786
- Adopted Grant Project Ordinance # 14206 (to be rescinded)
- 2011 Diesel Emissions Reduction Grant Resolution
- FY 2005-06 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #13129
- FY 2006-07 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #13434
- FY 2007-08 Section 5307 Bus Grant superseding Ordinance #13702
- FY 2008-09 Section 5307 Bus Grant superseding Ordinance #13699
- FY 2010-11 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #140076
- FY 2011-12 Transit Planning and Capital Grant Project Ordinance superseding Ordinance #14146