DURHAM
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CITY OF MEDICINE
CITY OF DURHAM | NORTH CAROLINA

DATE: November 17, 2015

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: Bertha T. Johnson, Director of Budget & Management Services
Jim Reingruber, Principal Budget Analyst

RE: Request to amend the FY2015-16 Budget and other grant and capital project ordinance amendments.

**EXECUTIVE SUMMARY**

In the course of the fiscal year, certain adjustments to the operating budget ordinance are necessary. This is the second such amendment for FY 2015-16. The primary purpose of this operating amendment is to create a new special revenue fund for Inspections to comply with a new state law. This results in the General Fund budget decreasing by $4,102,261.59. In addition to this operating budget amendment to create a Special Revenue Inspections Fund, this item includes a grant project ordinance, and capital (CIP) ordinance amendments.

**RECOMMENDATION**

The Administration recommends the City Council adopt a budget ordinance amending the City of Durham Budget Ordinance as amended, Fiscal Year 2015-16, the same being Ordinance # 14808;

The Administration recommends the City Council adopt the University of North Carolina at Chapel Hill Request for Temporary Law Enforcement Assistance, 2015 UNC Chapel Hill Mutual Aid Grant Project Ordinance in the amount of $11,820.26;

Finally, the Administration recommends the City Council adopt an Ordinance amending the Capital Improvements Project Ordinance as amended, the same being Ordinance #14778.

**BACKGROUND**

Any time an ordinance requires change, the revisions require City Council approval. Budget and Management Services typically brings two to four budget amendments forward each year. An amendment was done in October 2015 which included amendments to the operating budget, several grant project ordinances, and the internal service fund spending plan resolution. Budget and Management Services attempts to combine amendments and small grants in a single agenda item for efficiency.

**ISSUES/ANALYSIS**

The following amendments are included:

The General Assembly of North Carolina approved House Bill 255 on July 13, 2015. This act, effective October 1, 2015, stipulates that "All fees collected under the authority set forth in this section shall be used for support of the administration and activities of the inspection department and for no other purposes." Currently, the Inspections Department of the City of Durham is budgeted in the General Fund. The departmental budget shows a surplus of revenues over expenses, however this is misleading. General Fund departments are not explicitly charged for indirect costs such as the costs of the space they use, computers, vehicle financing, etc. Funds other than the General Fund are charged indirect costs based on a formula used by the Finance Department. The cleanest way to comply with the new law and be sure that the Inspections Department is paying its fair share is to create a new special revenue fund. This proposed Inspections Fund is created with this proposed budget amendment.

The only fees subject to the law are inspection permit fees. Those budgeted revenues of $4,100,276 are being moved from the General Fund, the Inspections Fund. The currently budgeted personnel and operating expenses for the department of $3,915,246.59 are also being moved from the General Fund to the Inspections Fund, of which $1,985.59 were carried forward encumbrances. The new fund, consistent with other relevant special revenue and enterprise funds, will be charged indirect costs. Based on Finance's formula, this totals $880,495 for FY2016. These costs are re-evaluated each year. Also consistent with other funds, this new fund will pay its portion of the voice over IP phone costs, which according to Technology Solutions, is $14,000. In future years, this fund's portion of transfers to OPEB and Risk funds, and fleet costs will also be charged. During the economic recovery over the past five years, Inspections' permit fees have exceeded expenses by an average of more than $1 million. Based on first quarter results, these revenues appear to be very conservatively budgeted this year. The revenue budget in the new fund is being adjusted to more closely match expected end of year results. This added $1,666,694 to the revenue budget, bringing the total to $5,766,970. The expenses detailed above total $4,809,741.59, and rounding brought the total to $4,809,743. The difference ($957,227) is being budgeted in the new fund as a transfer to fund balance. The General Fund will decrease by a total of $4,102,261.59 which consists of the $3,915,246.59 of direct Inspections Department costs, $880,495 of indirect cost offsets, $14,000 offset for the phone system, and the $707,480 difference moving to transfer to fund balance.

A grant project ordinance is included with this agenda item. On October 23, 2015, the UNC Chapel Hill Chief of Police requested temporary law enforcement assistance from the Durham Police Department under the Mutual Assistance Agreement entered into September 14, 2011 by

and between the agencies. In accordance with North Carolina General Statute 160A-288, the Mutual Assistance Agreement provides that, while working for the requesting agency, a borrowed officer "shall for personnel and administrative purposes, remain under the control of his own agency, including for purposes of pay." Thus, UNC Chapel Hill cannot pay officers from the Durham Police Department directly for assistance provided pursuant to a mutual assistance agreement. However, in order to ensure that the necessary assistance is provided, UNC Chapel Hill has offered to reimburse the City of Durham, per non-exempt officer, at an overtime rate of time and one half of each officer's wages, plus paid benefits and, per exempt officer, each officer's hourly wages plus paid benefits. This GPO totals $11,820.26.

The CIP is being amended to remove completed projects in the areas of culture and recreation, downtown, general services and transportation. Various projects that require adjustments in funding sources are being addressed, as well.

**ALTERNATIVES**

If the City Council does not approve these amendments, the ordinances will be incorrect and the City would have a more difficult time complying with the new inspections law.

**FINANCIAL IMPACT**

The approval of this budget amendment will have a positive impact on the General Fund budget, but a potentially negative affect on actual results. The combination of the budgeted surplus, offset by indirect costs and phone charges, leaves $707,480 net savings in the general fund, set to go back to fund balance. However, actual net savings have greatly exceeded budgeted net savings in the past 5 years. That projected additional savings ($957,227) will now be fund balance in the new special revenue fund and be reserved for inspections activities.

The Grant Project Ordinance is a relatively minor amount at $11,820.26 so will not materially affect current year activities.

The CIP amendments has no significant impact to the General Fund, it primarily removes prior authorized appropriations in the amount of $9.717M. This is a typical clean-up amendment ensure the CIP ordinance is aligned with the MUNIS financial system.

**SDBE INFORMATION**

Not applicable.

**ATTACHMENTS:**

Budget ordinance amending the City of Durham Budget Ordinance as amended, Fiscal Year 2015-16, the same being Ordinance # 14808;

2015 UNC Chapel Hill Mutual Aid Grant Project Ordinance (GPO);

2015 UNC Chapel Hill Request for Assistance Memo

Ordinance amending the General Capital Improvements Project Ordinance as amended, the same being Ordinance #14778.