

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director

MEETING DATE: November 25, 2019

SUBJECT: Ordinance No. 1004-B, First Reading – Amending the 2019 Annual Budget

ISSUE

Ordinance No. 1004-B, amending the 2019 budget, is hereby submitted to reflect the changes in estimates and actual activity of the city since the second amendment of the 2019 budget in July. This ordinance is necessary to ensure compliance with state appropriation requirements and to document adjustments to the 2019 budget.

DISCUSSION

In April of this year, Ordinance No. 997-B was adopted to amend the 2019 budget, which was the first budget amendment of the year. Ordinance No. 1000-B was adopted to amend the 2019 budget for the second time in July.

This proposed ordinance is the third amendment to the 2019 budget. The attached spreadsheet (Exhibit A-1) provides information on a line-by-line basis, as well as summary information of the proposed budget amendments by fund. The net total city-wide increase in fund balance associated with the third budget amendment is \$519,857. The proposed budget amendments by fund are summarized below:

Fund Name	Revenues Increase (decrease)	Transfers In Increase (decrease)	Expenditures Increase (decrease)	Transfers Out Increase (decrease)	Net Increase (decrease) in Fund Balance
General Fund	\$ 15,000		\$ 31,640	\$ 75	\$ (16,715)
Transportation Benefit District Fund	225,963		19,196		206,767
Tourism Fund	28,000		-		28,000
G.O Bond Fund	-	300	300	-	-
Public Facilities Reserve Fund	12,750		33,360		(20,610)
First Quarter REET Fund	-		-	123	(123)
Second Quarter REET Fund	-		-	102	(102)
Wastewater Fund	125,600		-		125,600
Water Fund	140,200		29,200		111,000
Storm & Surface Water Fund	(57,100)		15,410		(72,510)
Airport Fund	183,300		16,250		167,050
Firemen's Pension Fund	-		8,500		(8,500)
Total	\$ 673,713	\$ 300	\$ 153,856	\$ 300	\$ 519,857

General Fund:

The proposed budget amendment includes \$15,000 increase in revenues and \$31,715 increase in expenditures and transfers out, resulting in net decrease in the General Fund's fund balance by \$16,715.

The revenue increase of \$15,000 is to adjust interest earnings budget to reflect more to actual. The current budget amount is \$8,690, and the estimated investment interest earnings at year-end is \$23,690.

Total net increase in expenditures and transfers out budget of \$31,715 is summarized below:

General Fund Department	Budget Adjustments		Net Increase (decrease) in Appropriations
	Additional Appropriations Requested	for Indirect Cost Allocation (Contra Expenses)	
City Manager	\$ 2,020	\$ 8,700	\$ 10,720
Finance	3,170	-	3,170
Legal Services (City Attorney)	-	3,550	3,550
Non-departmental	75	(11,700)	(11,625)
Human Resources	45,000	(36,700)	8,300
Police	6,000	-	6,000
Fire	11,600	-	11,600
Total General Fund	\$ 67,865	\$ (36,150)	\$ 31,715

Certain general fund departments provide administrative support services to all city funds and departments. These departments include City Council, City Manager, City Clerk, Legal Services/City Attorney, Finance, Human Resources, and Non-Departmental. These departments' expenditures are allocated based on certain allocation factors (i.e., agenda items, budget, FTEs, number of email users, revenue receipts, and voucher payments, etc.). The

amounts allocable to the City's enterprise funds (utilities and Airport funds) are charged out to those funds. Contra expenses are the portion of expenses that are allocated (charged out) to other funds and show as negative expenditures (reduction of expenditures) in the fund that provided the services. Positive adjustments to the budget means reducing the cost allocation amount, thus increasing the expenditures.

- City Manager department budget increase of \$2,020 is to adjust salary and benefits budget to reflect more to actual. The 2019 adopted budget was slightly lower than actual. Budget adjustment for contra expense is needed to reflect more to actual YTD activities.
- Finance department requests \$3,170 for the purchase of a dedicated server for the AP Vendor ACH payment program.
- Non-departmental department requests additional transfers out budget of \$75 to G.O. Bond fund for General Fund share of the \$300 annual debt service fees. Cost allocation to enterprise funds for city-wide network maintenance, Office 365 and Antivirus software license renewal fees are projected at \$11,700, which was not included in the original budget.
- Human Resources department requests \$45,000 budget increase for professional services for the cost of negotiating the Fire, Police and Non-Uniformed personnel collective bargaining agreements, as well as the cost of professional services to deal with other personnel issues. The professional services budget was increased by \$70,000 in July, and additional funding is needed as the Administration is currently in mediation with all three labor union groups. Total 2019 budget for professional services, including this amendment, will be \$135,000. Additional cost allocation to enterprise funds is estimated at \$36,700 largely due to increase in professional services expenditures for collective bargaining agreement negotiations.
- Police department has requested \$6,000 additional budget for purchase of exterior ballistic vests for police officers. This was approved by City Council in September 2019.
- Fire department requests \$11,600 additional budget which includes \$5,000 for professional services for medical program director services and \$6,600 for unanticipated repairs to the fire chief vehicle due to an accident. The City has recovered this cost through insurance reimbursement.

The ending cash (fund balance) of the General Fund at the end of 2019 is estimated at \$773,716, which is about 7.7% of the General Funds' operating revenue. This is below City Council policy to maintain 10% of General Fund's operating revenues in the General Fund.

Transportation Benefit District (TBD) Fund:

The proposed budget amendment includes \$225,963 increase in revenues and \$19,196 increase in expenditures, with a net increase in fund balance by \$206,767.

2019 TBD sales tax revenue is projected to be \$162,000 more than original budget projection. TBD fund received \$39,963 federal grant reimbursement for Kresky Avenue resurface project. Interest earnings is expected to exceed the current budget by \$24,000.

The \$19,196 expenditure budget increase is due to National Avenue Slide Restoration project change order no. 4.

Tourism Fund:

A \$28,000 revenue budget increase is proposed, which includes \$23,000 for hotel/motel tax and \$5,000 for investment interest earnings, to reflect more to actual.

G.O. Bond Fund:

Additional transfers in of \$300 and expenditures budget of \$300 is requested, net zero impact to the fund balance. The \$300 annual debt service fee by US Bank for the City's 2011 LTGO Bond was not budgeted. Annual debt service payments and related fees are paid by the General Fund and two REET funds.

Public Facilities Reserve Fund:

The proposed budget amendment includes \$12,750 increase in interest revenue and \$33,360 increase in expenditures for the following: 1) \$28,360 for replacement of carpenter shop roof and preschool building roof; and 2) \$5,000 for appraisal service fees for new fire station site.

First Quarter REET Fund:

An additional transfer out budget of \$123 to the G.O. Bond fund is requested.

Second Quarter REET Fund:

An additional transfer out budget of \$102 to the G.O. Bond fund is requested.

Wastewater Fund:

A \$125,600 increase in revenue budget is proposed, which includes \$50,600 for Hookup/Connection fees and \$75,000 for investment interest earnings. The proposed amendment is to reflect budget more to actual.

Water Fund:

A \$140,200 increase in revenue budget and \$29,200 increase in expenditures budget is proposed.

The proposed revenue budget amendment includes \$42,200 for Hookup/Connection fees and \$98,000 for investment interest earnings, to reflect budget more to actual.

The \$29,200 proposed increase in expenditures is to reflect the indirect cost allocation budget (contra expense offsets) for administrative support services provided by the general fund to the water fund more to YTD actual activities.

Storm and Surface Water Fund:

A \$57,100 decrease in revenue budget and \$15,410 increase in expenditures budget is proposed.

Storm water rate fee revenue projection in the original adopted budget is \$80,000 higher than year-end estimate based on YTD activities. Whereas, Hookup/Connection fee revenue and investment interest earnings will exceed the original budget projections by \$22,900.

A \$15,410 increase in expenditures budget is requested to adjust the indirect cost allocation from the general fund and from water fund, to reflect more to YTD actual activities.

Airport Fund:

The proposed budget amendment includes \$183,300 increase in revenues which includes: 1) \$162,300 for fuel sales; and 2) \$21,000 investment interest earnings, to reflect more to actual.

A \$16,250 increase in expenditures budget request includes \$12,300 for indirect cost allocation from the general fund and \$3,950 for sales tax remittance increase due to fuel sales increase.

Firemen's Pension Fund:

The proposed budget amendment includes \$8,500 additional budget for professional services for pension fund actuarial valuation that was approved by City Council in October.

RECOMMENDATION

It is recommended that the City Council pass Ordinance No. 1004-B on first reading.

SUGGESTED MOTION

I move that the City Council pass Ordinance No. 1004-B on first reading.