



Legislation Details (With Text)

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On agenda: 9/16/2019 **Final action:** 9/16/2019
Title: Approve Fiscal Year 2018/19 Year-End Budget Adjustment and Inter-Fund Transfers
Attachments: 1. Att #1 - FY 18-19 Appropriation Adjustment.Revised.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|---|----------|--------|
| 9/16/2019 | 2 | City Council/Public Financing Authority | approved | Pass |

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Dave Kiff, Interim City Manager

PREPARED BY: Chuck Adams, Interim Chief Financial Officer

Subject:

Approve Fiscal Year 2018/19 Year-End Budget Adjustment and Inter-Fund Transfers

Statement of Issue:

The Finance Department is currently undergoing the year-end closing process for Fiscal Year 2018/19. Certain technical adjustments and fund transfers are needed to reconcile the budget with actual expenditures incurred, and to comply with auditing, actuarial, accounting or legal requirements. City Council authorization is requested to perform these reconciliations in order to properly close Fiscal Year (FY) 2018/19. There are sufficient revenues, available cash, and/or fund balances to support these adjustments.

Financial Impact:

Authorization is requested for appropriation and inter-fund transfers from the General Fund (Fund 100) FY 2018/2019 budgetary savings to: A) an additional transfer up to \$1.0 million into the Section 115 Trust (Fund 716) to help pay down unfunded liabilities; B) \$2.0 million to the Infrastructure Fund (314) to ensure compliance with the City Infrastructure Charter requirement; C) transfer \$250,000 towards future park improvements to the Infrastructure Fund; and D) \$1.58 million in transfers and authorization to execute any future necessary action related to the City Manager's Employment Agreement (per Resolution 2019-55), specifically in regards to the non-forgivable home loan and any rental payments.

Recommended Action:

A) Approve the appropriation and transfer up to \$1.0 million into the Section 115 Trust from one-time FY 2018/19 year-end savings and revenues to reduce the City's unfunded pension liabilities as

reflected in Attachment 1; and,

B) Approve appropriation and transfer of \$2.0 million to the Fiscal Year 2018/19 Revised Budget in the Infrastructure Fund (314) and an additional \$250,000 for park improvements as contained in Attachment 1; and,

C) Approve authorization to execute any necessary action to comply with Resolution 2019-55 (City Manager Employment Agreement) including the inter-fund transfer of \$1.58 million from FY 2018/19 General Fund budgetary; transfer request is reflected in Attachment 1; and,

D) Authorize appropriation and inter-fund transfers in non-General Fund accounts for expenditures totaling \$104,317 as contained in Attachment 1.

Alternative Action(s):

Do not approve the recommended action and direct staff accordingly.

Analysis:

At this time, the Finance Department estimates additional budgetary savings as of the close of FY 2018/19, which ended on June 30, 2019. These savings may be adjusted further as additional contracts close, but we are comfortable accounting for transfers and appropriating it as described by this Agenda Item.

These year-end budget adjustments to the FY 2018/19 Revised Budget will align appropriations in certain funds with actual expenditures incurred through June 30, 2019, as actual expenses cannot exceed the appropriation amounts contained in the Revised Budget. Adjustments are also required to ensure compliance with GAAP, GASB, and other regulatory, contractual or legal requirements. Please note any appropriation increases are fully offset by commensurate amounts of revenues, available cash, or fund balances in each Fund.

Staff recommendation to appropriate and transfer as follows:

Up to \$1.0 million into the City's **Section 115 Trust**. The City created a tax-exempt, Internal Revenue Code Section 115 Trust as authorized by the City Council on December 21, 2015, to help address the City's unfunded pension liabilities. To further this goal, on May 2, 2016, the City Council authorized the Public Agency Retirement Services Company (PARS) to administer the Trust's assets and ensure the tax-exempt status for the Trust. City Council authorization is requested to appropriate, transfer and deposit \$1.0 million in one-time FY 2018/19 year-end budgetary savings into the Section 115 Trust to help mitigate unfunded pension liabilities. With accrued interest earnings, the balance was estimated at \$7.0 million as of June 30, 2019. Adding \$1.0 million to it results in a balance of \$8.0 million (this includes the prior \$1.0 million transfer approved by the City Council).

This action is consistent with the Financial Policies adopted by the City Council and with the City Council's Strategic Planning Goal to Strengthen Economic and Financial Sustainability.

\$2.0 million directly to the Infrastructure Fund (Fund 314). City Council authorization is requested to transfer from available General Fund year-end savings to the Infrastructure Fund to ensure

compliance with the City's Charter Article VI, Section 617 (b) that requires the City to expend for infrastructure improvements and maintenance at "15% of general fund revenues based on a five-year rolling average".

\$0.25 million transfer into the Infrastructure Fund (Fund 314). At the February 7, 2019 Strategic Planning Retreat, the City Council reinforced the goal to "enhance and maintain the infrastructure" by prioritizing park improvements utilizing the Parks Master Plan. This additional money would allow for further park improvements.

\$1.58 million from to the City's General Fund (Fund 100). City Council authorization is requested to appropriate and transfer from FY 2018/19 year-end available balances to comply with Resolution 2019-55 (City Manager employment agreement, specifically the non-forgivable home loan and some rental assistance).

Other Grants and Funds:

\$5,118 appropriation increase in the Senior Mobility Program (Fund 963) is requested to true-up the budget for actual costs incurred for actual senior transportation expenses incurred during the fiscal year.

\$73,159 in transfer appropriation authority from the West Orange County Water Board to the Water Fund (Fund 506) for \$71,518 and the Measure M Fund (Fund 213) for \$1,641 for prior year salary expenditures that were inadvertently posted to other funds.

\$26,040 in transfer appropriation authority from Housing Residual Receipts (Fund 233) to the LMIHAF (Fund 352) to reconcile funds related to home repayments in prior fiscal years.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Fiscal Year 2018-19 Appropriation Adjustment and Inter-Fund Transfers