



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of April 26, 2016
Second Reading Ordinance for the City Council Meeting of May 10, 2016

DATE: April 15, 2016

TO: Ronald L. Olson, City Manager

FROM: Christine Garza, M.B.A., Interim Assistant Director of Management and Budget
christineg@cctexas.com
(361) 826-3792

Mid-Year Adjustment

CAPTION:

Ordinance amending current Operating Budget adopted by Ordinance No. 030620 as follows: (a) reduce General Fund revenues \$8,000,000 due to decline in sales tax, industrial district agreement payments in lieu of taxes, and municipal court revenues; (b) increase revenues in General Fund and other funds \$1,400,000 to rebate funds contributed for Municipal Information Systems, Fleet, and Development Services; (c) transfer \$312,765.83 from the General Liability Fund to various funds to rebate property insurance savings; (d) appropriate \$500,000 unreserved fund balance in Fleet Services Fund No. 5110 for Fire Department equipment and increase expenditures by \$500,000.

PURPOSE:

This action will reduce the current Fiscal Year budget for revenue by a net of \$8,000,000 to offset the loss of sales tax, industrial district payments in-lieu of taxes, and Municipal Court revenues in the General Fund.

This action will rebate reserve funds contributed by various departments to Municipal Information Systems, Fleet Services, and Development Services Funds.

This action transfers savings in the General Liability Fund, due to a recently awarded property insurance contract, by rebating \$312,765.83 back to the General, Enterprise, Internal Service, and Special Revenue Funds.

This action appropriates money for the purchase of equipment by Fleet Services that will be available for the Fire Department.

BACKGROUND AND FINDINGS:

In Fiscal Year 2014-2015, actual sales tax collections were 7.7% lower than the amount budgeted, or \$4,876,897. For the six months ended March 31, 2016, actual sales tax revenue collected is 4.9% lower than the amount budgeted or \$2,913,201. It is projected that this trend will continue through September 30, 2016 – resulting in lower sales tax revenues of approximately \$4,800,000 for Fiscal Year 2015-2016.

In addition, Industrial district agreement payments in-lieu of taxes will be \$1,700,000 lower than budgeted due to reductions in values; and Municipal Court revenue is expected to be \$1,500,000 lower than budgeted.

Expenditures will be adjusted for this reduction of revenue by use of debt service funds for Solid Waste Debt (\$4,179,000), Development Services transfer (\$500,000), and Intergovernmental Relation contracts (\$151,000). Other expenditure adjustments will be found within operating accounts such as fuel and vacant positions (\$2,144,370).

Over the last several years, expenditures in the Municipal Information Systems, Fleet Services and Development Services Funds have been less than budgeted, therefore the balances in these internal service funds have increased above the amounts required by Financial Policies. In order to lower the internal service fund balances, rebates will be returned to the departments as shown on Exhibit A.

Below is a summary of these actions affecting the General Fund:

Revenue Shortfalls		Expenditure Adjustments	
Sales Tax	\$ 4,800,000	Operating Expenditures	\$ 6,974,370
Industrial District	1,700,000	MIS rebate	154,950
Municipal Court	1,500,000	Fleet rebate	170,680
		Development Svcs rebate	700,000
TOTAL	\$ 8,000,000	TOTAL	\$ 8,000,000

On April 12, 2016, the City Council passed a motion of direction to staff requesting the transfer of property insurance savings to the No. 1042 Residential Street Fund. The savings calculated for Fiscal Year 2015-2016 is \$312,765.83, of which \$186,924.99 was allocated to the General Fund as shown on Exhibit B. The General Fund portion will be rebated and transferred to the No. 1042 Residential Street Fund as directed by City Council.

The appropriation of \$500,000 from the Fleet Services Fund balance will provide funding for Fire Department equipment for Fiscal Year 2015-2016, which includes six (6) hybrid sedans and one (1) light and air vehicle. These items are part of the Fire Department's vehicle replacement plan and will replace aged/high mileage vehicles.

ALTERNATIVES:

The City Council can choose to not approve the ordinance.

OTHER CONSIDERATIONS:

Not applicable

CONFORMITY TO CITY POLICY:

Conforms to City Policy

EMERGENCY / NON-EMERGENCY:

Not applicable

DEPARTMENTAL CLEARANCES:

Financial Services, Legal

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2015-2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Revenue Budget	-	\$74,347,391	-	\$74,347,391
This item	-	(\$8,000,000)	-	(\$8,000,000)
TOTAL Adjusted Revenue	-	\$66,347,391	-	\$66,347,391

Fund(s): General Fund

Comments: n/a

RECOMMENDATION:

Staff recommends approval of the ordinance.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Exhibit A-Internal Service Rebates
Exhibit B-General Liability Insurance Rebate
Presentation