

STAFF REPORT

To: Gary Klaphake, City Administrator
 From: Bob Hartwig, Director of Finance & Administrative Services
 Date: October 27, 2006
 Subject: Ordinance No. 58, Series 2006, Supplemental Appropriation

Recommendation: The City Council moves to approve Ordinance No. 58, Series 2006, amending the 2006 budget on first reading and authorizes expenditure of directly related 2006 revenues and specific prior year revenues, and unappropriation of certain capital projects and General Fund items.

Background:

Each year the City budget is amended in order to reflect changes that have occurred throughout the year. This procedure is necessary in order to remain in compliance with state statutes requiring a balanced budget. Due to a series of events occurring earlier in the year, a previous supplemental appropriation was passed by Council in July, 2006.

As a result of a change in the accounting treatment of capital projects in 2005, this supplemental appropriation request includes a recommendation to unappropriate funds that were initially designated for certain 2005 and 2006 capital project expenditures. These projects are now budgeted on an inception to completion basis.

It is well known that the construction industry has been slowing down since late 2005 resulting in sharply reduced use tax revenues and impact fees to capital projects funds. Lack of revenue has caused the City to provide funding only for the highest priorities. Therefore, plans for most traffic signals, street improvements, and the ball field will need to be delayed at this time. Staff recommends that appropriations approved for the following capital projects funds be unappropriated. All except \$173,202 relate to projects budgeted in 2006.

PRAD Fund	\$ 124,084
Conservation Trust Fund	140,000
Capital Projects Fund	<u>1,450,432</u>
Total Unappropriated Funds	\$1,714,516
Amount Applicable to 2005 Budget	<u>(173,202)</u>
Unappropriation for 2006	<u>\$1,541,314</u>

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Two capital projects have required the use of 2005 fund balance in the Capital Projects Fund. The projects are the police building construction (\$750,000) and the First Union street paving project (\$575,000). The carryover of funds from the 2005 police bond issue provides the needed additional funds for the police building in 2006. The First Union property owners will be assessed for the cost of the street paving. The revenues will be received over a period of time in the future and that portion of the fund balance will build back up as payments are received from homeowners.

Other requested appropriations are detailed below.

Exempla General Improvement District:

Bond interest is based on a floating rate, and as a result of interest rate increases established by the Federal Reserve, it is estimated that additional interest in the amount of \$150,000 will be paid on the bonds. It will be recovered in the January 1, 2007 billing to Exempla Hospital. There will be no net impact to the bottom line in this fund.

St. James 2006 General Improvement District:

In August, 2006, City Council accepted the petition organizing the St. James 2006 General Improvement District. The City has received \$5,000 from the developer to pay legal, election, and other costs of forming the district. Staff recommends that \$5,000 be appropriated for payment of these costs.

Capital Projects Fund:

The major appropriation requests have been explained above (\$1,325,000). In addition, \$35,000 is needed for Tech Center phase II development for the remainder of 2006. The funds are available for this project from escrow payments provided by lot sales.

Water Fund:

The Water Fund is involved in a large claim relating to a City-caused water leak. This claim requires a \$25,000 deductible payment from the City. The amount will be transferred to the Insurance Fund.

Golf Course Fund:

As a result of revenues in excess of budget, the 8% administrative fee expenditure budget needs to be increased by \$30,000. The snack bar concessions budget needs to be increased by \$25,000. Funds are available from increased course, club house, and snack bar 2006 revenues.

Employee Benefit Plan:

Medical insurance premiums increased primarily due to choices made by employees during the open enrollment period. For example, an employee selecting family coverage instead of single coverage increases the amount allocated to the employee significantly, and also increases the monthly premium. The increases (\$109,371) are available from operating transfers in from other funds.

Insurance Fund:

The City's deductible account will require an increase of \$25,000, which will be offset by a transfer from the Water Fund. Worker's comp premiums have also increased by \$26,500. Sources of funds for this request are a dividend of \$29,900 from Pinnacol Assurance and a transfer from the Water Fund.

General Fund:

As the City Council is aware, several "holds" have occurred in the General Fund budget. The items held (\$602,205) need to be un-appropriated based on Council action taken on August 15, 2006. In addition we need to reallocate some items within the remaining budget as a result of various events since that time.

Money needs to be reallocated to the Home for the Holidays Program previously approved by Council. In order to bring EMS service on-line by January 1, 2007, Chief Morrell would like to hire the EMS Chief in November and expects to incur a total of about \$10,000 in EMS-related costs. Open enrollment resulted in several employees changing their benefit packages, changing the insurance allocations in several departments. One Lafayette generated additional revenue that was distributed to recipients. The State reimbursed the City for their portion of Volunteer Fire Pension contributions. A little over \$3,000 was spent on a cemetery survey in order to complete negotiations with Louisville. Grant revenue was received for Library programs. The seniors provided a grant for furniture purchases at the Senior Center.

The total of these General Fund reallocations is \$258,614. The entire amount can be accommodated by reallocating the remaining budget. These reallocations will not impact the budget or the fund balance.

Fiscal Impact: This budget amendment will increase/decrease the 2006 budgets of the following funds:

	<u>Proposed Appropriation</u>	<u>Proposed Unappropriation</u>	<u>Net Increase (Decrease)</u>
General Fund	\$ -	\$ (602,205)	\$ (602,205)
Exempla GID	150,000	-	150,000
St. James GID	5,000	-	5,000
PRAD Fund	-	(124,084)	(124,084)
Conservation Trust Fund	-	(140,000)	(140,000)
Capital Projects Fund	1,360,000	(1,277,230)	82,770
Water Fund	25,000	-	25,000
Golf Course Fund	55,000	-	55,000
Employee Benefit Fund	109,371	-	109,371
Insurance Fund	51,500	-	51,500
	<u>\$ 1,755,871</u>	<u>\$ (2,143,519)</u>	<u>\$ (387,648)</u>

Attachments: Proposed Supplemental Appropriation Details

City of Lafayette
Proposed Supplemental Appropriation Details
2006 Budget

Description	Appropriation Amount	Funded by Offsetting Revenue	Funded by Use of Fund Balance
<u>Exempla General Improvement District</u>			
Bond Interest	\$ 150,000	\$ 150,000	\$ -
<u>St. James General Improvement District</u>			
	5,000	5,000	-
<u>Capital Projects Fund</u>			
Police Building	750,000	-	750,000
First Union	575,000	-	575,000
Tech Center	35,000	35,000	-
	1,360,000	35,000	1,325,000
<u>Water Fund</u>			
Transfer to Insurance Fund	25,000	-	25,000
<u>Golf Course Fund</u>			
Administration Fee	30,000	30,000	-
Concession Supplies	25,000	25,000	-
	55,000	55,000	-
<u>Employee Benefit Plan</u>			
Medical Insurance Premiums	109,371	109,371	-
<u>Insurance Fund</u>			
Prop/Casualty Deductible	25,000	25,000	-
Worker's Compensation	26,500	26,500	-
	51,500	51,500	-
Total	\$ 1,755,871	\$ 405,871	\$ 1,350,000

City of Lafayette
Proposed Supplemental Appropriation Details
(Unappropriations)
2006 Budget

<u>Description</u>	<u>Amount to be Unappropriated</u>
<u>General Fund</u>	
Hold Items	\$ 602,205
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<u>PRAD Fund</u>	
Dog Park	70,000
Ball Field	54,084
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	124,084
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<u>Conservation Trust Fund</u>	
Ball Field	140,000
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<u>Capital Projects Fund</u>	
Traffic Signals	
Highway 42 and Dagney	250,000
Baseline and Caria	200,000
Radios	37,665
Street Improvements	789,565
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	1,277,230
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Total Unappropriations	<u><u>\$2,143,519</u></u>