



City of Grand Island

Tuesday, January 20, 2009

Study Session

Item -2

Discussion of Need for Budget Amendment to FY 2008/2009 Budget

Staff Contact: David Springer

Council Agenda Memo

From: Dave Springer, Finance Director

Meeting: January 20, 2009

Subject: Consideration of Amendment to FY2008-2009 Annual Budget

Item #'s: 2

Presenter(s): Dave Springer, Finance Director

Background

Staff had recently been directed to review with the State Auditor, the use of year-end encumbrances. After discussions with the State Auditor's office, it has been determined that, while the use of encumbrances was fine, a long standing procedure used by the City in the budgeted appropriations calculation was not the preferred method, and that it would be appropriate to amend the current year's budget and revise the process for future state budget submittals.

Discussion

In the past, at fiscal year end, departments have been required to submit to Finance open purchase orders and contracts on which services had not been completed. These future expenses, previously budgeted for, were then added onto the new year budget and titled "Revised Budget". The State prefers that these encumbrances be estimated and included in the appropriations at the time new budgets are submitted to the State in September. The effect on our budgets will be to increase the appropriation or expenditure line and reduce cash balance. This in effect becomes a worst case scenario if every new appropriation and carry over encumbrance were totally spent, which has never happened. However, that is what the State wishes municipalities to be prepared for and to adjust revenue sources (taxes) if they see fit.

It is necessary to have adequate appropriations in order to let a contract or purchase order. As large projects may cross over two or more years, it will be necessary in the future to rebudget any remaining work into the new budget for that year. In essence, Council will need to reappropriate those unfinished projects. Last year was unusual, as the contracts for Capital Avenue widening and Wastewater Utility projects were awarded to vendors, but only minimal work was completed, leaving nearly \$5.5 million to be encumbered.

Total encumbrances for the proposed budget amendment are \$6,664,527. Of that, \$718,994 is in the General Fund. As the 2008 General Fund cash balance came in \$340,770 higher than projected, the 2009 budget balance of \$6,284,777 would become \$5,906,553 after factoring the encumbrances in.

Recommendation

City Administration recommends that the Council approve the amendment to the 2008-2009 Fiscal Budget when presented for action on January 27, 2009. This revised budget would then include those encumbrances as of September 30, 2008.