



HISTORIC
FRANKLIN
TENNESSEE

ITEM #8
FINANCE
01-16-14

MEMORANDUM

January 9, 2014

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO
Mike Lowe, Comptroller

SUBJECT: Consideration of Amendment to Budget - Road Impact Fee Fund

Purpose

The purpose of this item is to consider an amendment to the Fiscal Year 2014 Budget for balancing the Road Impact Fee Fund's budgeted revenues and expenditures. The current Road Impact Fee fund budget for 2014 shows current year revenue of \$3,000,000 and expenditures of \$3,513,048.

Background

When the 2014 Road Impact Fund budget was originally presented in January of last year, \$3 million of road impact fee revenue was included. It was later determined that \$3,513,048 was the amount needed to support the debt service related to road impact fees. Despite the fact that there would be sufficient collections, the revenue figure was inadvertently left at the \$3 million level, creating an imbalance in the fund.

The matching level of revenue appears to be a reasonable estimate based on reviewing 2011's actual (\$2.45 million), 2012's actual (\$1.46 million), and 2013's estimated (\$2.5 million). Since then, 2013's actual was higher than estimated (\$3.3 million) and 2014's actual through December is \$2.2 million (within \$800,000 of the \$3 million budgeted for the fiscal year).

If collections for the remaining 6 months of the year continue at 60% of the first 6 months, road impact fees collections would be available to amend budgeted revenues from \$3,000,000 to \$3,513,048. Typically, the months preceding the spring construction season, when building permits are being posted, are the strongest months for collection of impact fees.

As City practice is to present amendment ordinances on a quarterly basis, this amendment would be included in the 2nd quarter amendments to be presented to the Budget and Finance Committee in February 2014. The amendment would increase budgeted road impact fee revenue by \$513,048.

Financial Impact

The amendment, to be included in the 2nd quarter amendments, would increase road impact fee revenue by \$513,048. This would allow the fund's current revenues and expenditures to be balanced at \$3,513,048.

Options

1. Recommend amendment be included with 2nd quarter amendments that will be presented to the Budget and Finance Committee in February 2014.
2. Make changes to the amendment if desired.

Recommendation

Staff recommends approval of this amendment to be included in 2nd quarter amendments.



MEMORANDUM

January 9, 2014

TO: Members of Budget and Finance Committee
 FROM: Eric Stuckey, City Administrator
 Russ Truell, ACA/CFO
 Mike Lowe, Comptroller
 RE: Discussion of Transfer from General to Road Impact Fund

Purpose

The purpose of this item is to consider the option of a General Fund transfer to the Road Impact Fee fund if a fund balance deficit remains at June 30, 2014. At the end of 2013, the deficit was \$854,829.

Background

Although generally accepted accounting principles provide for fund balance deficits, the State has provided guidance that funds should not be in a deficit. As a result of reduced development during the recession, a deficit in the Road Impact Fund originated in 2010 at \$522,110 and is currently at \$854,829 (down from \$1.2 million in 2012). Collections of \$2.2 million in the first 6 months of 2014 are a strong indicator the deficit will likely decline further during 2014, and may possibly be eliminated. Based on the State's guidance, a transfer from General to Road Impact Fund would be needed if a deficit fund balance remains.

Financial Impact

If a transfer amendment were considered for inclusion in the 2nd quarter amendments, an amount of \$854,829, or the deficit from fiscal year end 2013, would be proposed as a transfer from General to Road Impact for 2014. Paired with a proposed budget increase in revenue (from \$3,000,000 to \$3,513,018) from the previous agenda item, the updated Road Impact Fee budget would be:

	Original 2014	Amended 2014
Beg Fund Balance (original=estimated; amended=actual)	(\$1,773,893)	\$(854,829)
Road Impact Fee Revenue	3,000,000	3,513,048
Transfer from General *	<u>-0-</u>	<u>854,829</u>
Total Available Funds	\$1,226,107	\$3,513,048
Less: Debt Service Expenditures	<u>\$3,513,048</u>	<u>\$3,513,048</u>
Fund Balance (Deficit)	<u><u>\$(2,286,941)</u></u>	<u><u>\$-0-</u></u>

* Similar to Street Aid, Sanitation, and Transit transfers, actual transfer would only be for amount needed for fund to be at break-even at fiscal year-end.

Options

1. Continue to monitor fund and postpone recommendation until 3rd or 4th quarter amendments.
2. Recommend transfer be included with 3rd quarter amendments that will be presented to the Budget and Finance Committee in May 2014, making changes to amount of the transfer amendment as revenue collections dictate.

Recommendation

Staff recommends deferral of the transfer amendment until 3rd quarter amendments are prepared.