

REPORT TO THE CITY COUNCIL



DATE: June 5, 2018

TITLE: City of Desert Hot Springs Two Year Budget and Capital Improvement Projects for Fiscal Years 2018-2019 and 2019-2020 and the Appropriations Limit for Fiscal Years 2018-2019

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Reviewed by: Luke Rainey, Deputy City Manager

RECOMMENDATION

- 1) Receive Staff Presentation of the City of Desert Hot Springs Draft Two Year Budget for all Funds Including Capital Improvement Projects for Fiscal Year 2018-2019 and 2019-2020; and
- 2) Adopt a Resolution of the City Council of the City of Desert Hot Springs Approving the Fiscal Year 2018-2019 and 2019-2020 Budget and Fiscal Year 2018-2019 Appropriations Limit.

BACKGROUND

The City of Desert Hot Springs Municipal Code Section 2.08.080 (B)(7) requires the City Manager to submit to the City Council an annual budget and administer the budget after its adoption. Beginning with Fiscal Year (FY) 2016-17, the City moved to a two-year budget format, whereby the operating budget would be presented by staff and ultimately approved by the City Council every two years.

Staff has prepared the two-year operating budget for FY 2018-19 and FY 2019-20, a synopsis of which is presented within the body of this staff report. In the wake of staff transitions, staff has worked closely with Urban Futures Inc. over the last several months to develop and present the budget to the City Council for approval. In accordance with best practices, staff has worked with Urban Futures Inc. to also prepare a dynamic seven-year financial forecast, as it relates to the City's Consolidated General Fund.

Staff presented the Preliminary Budget Document for the fiscal years 2018-2019 and 2019-2020 to the City Council at a public Study Session held on May 15, 2018. Based on those budget discussions the following edits were made to the draft budget document:

- City Council travel budgets in the amount of \$17,000 for fiscal year 2018-2019 and \$25,000 for fiscal year 2019-2020 were separated into (5) individual account codes between all four City Council Members and the Mayor equally.
- A total of \$10,000 was allocated the budget for disaster equipment/supplies under the Emergency Preparedness Fund (246) in each budget year for a total of \$20,000.

Staff will present an overview of the recommended Preliminary Budget, focusing primarily on the Consolidated General Fund along with a brief overview of all other funds. Any additions or changes to the existing draft document that come from the City Council at the June 5th, 2018 meeting will be included in the final draft FY 2018-19 and 2019-20 Two Year Budget, before distribution of the final budget document.

DISCUSSION

Consolidated General Fund

Staff has prepared a seven-year financial forecast for the City's Consolidated General Fund as a means to develop a fully informed two-year budget, while understanding how known cost drivers and revenues impact future budgets. The forecast was developed as a dynamic fiscal tool to facilitate the preparation of the biennial budget and to guide the ultimate decision-making process as budgets are prepared and approved. The Consolidated General Fund consists of three funds used to account for virtually all required services funded predominantly with discretionary revenue sources:

- General Fund (Fund 001)
- Health & Wellness Fund (Fund 211)
- Public Safety Fund (Fund 245)

Although the City's General Fund accounts for all receipts of discretionary revenues, it should be mentioned that both the Health & Wellness Fund and Public Safety Fund receive a majority of annual funding from the General Fund to balance budgets. As such, sustainment of programs and services accounted for in the Health & Wellness and Public Safety Funds require General Fund support on an ongoing basis. Aggregate revenues and expenditures anticipated for each of the three funds over the next two years are noted below:

Fiscal Year 2018-19

Fund	Revenues / Fund Balance	Expenditures	Transfer In / (Out) of General Fund
001 – General Fund	\$ 15,229,874	\$ 9,718,101	(\$ 5,521,759)
211 – Health & Wellness Fund	\$ 627,554	\$ 577,550	n/a
245 – Public Safety Fund	\$ 4,992,490	\$ 10,514,249	\$ 5,521,759

Total: \$ 20,849,918 \$ 20,809,900

Annual Surplus / (Deficit): \$ 40,018

Fiscal Year 2019-20

Fund	Revenues / Fund Balance	Expenditures	Transfer In/(Out) of General Fund
001 – General Fund	\$ 14,433,085	\$ 8,439,850	(\$ 5,870,111)
211 – Health & Wellness Fund	\$ 583,665	\$ 539,696	n/a
245 – Public Safety Fund	\$ 5,041,321	\$ 10,911,434	\$ 5,870,111

Total: \$ 20,058,071 \$ 19,890,980

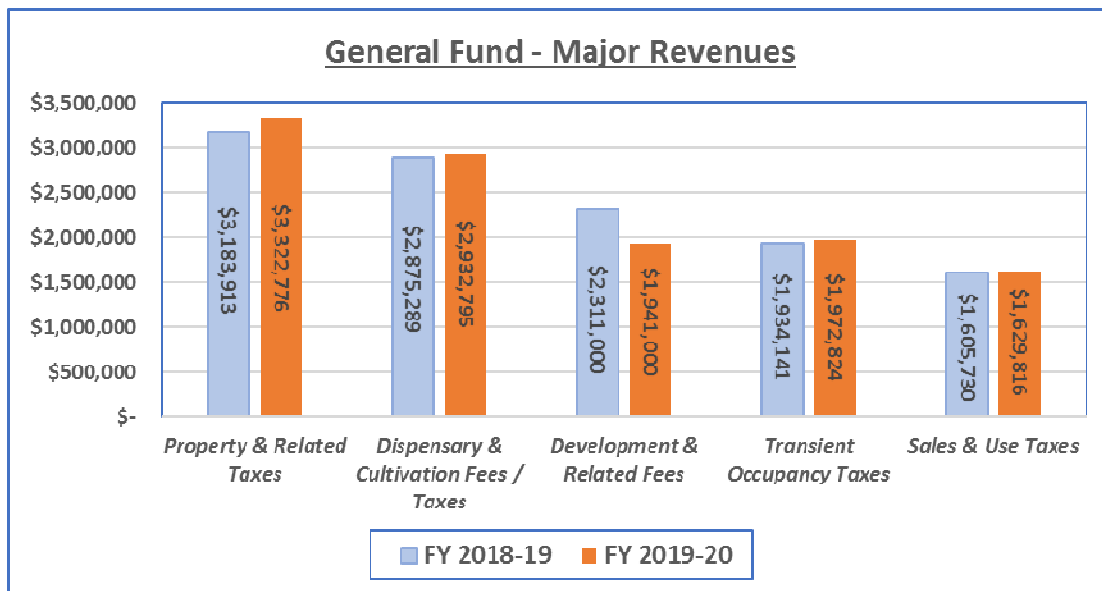
Annual Surplus / (Deficit): \$ 167,091

Overview of Consolidated General Fund Budgets

General Fund

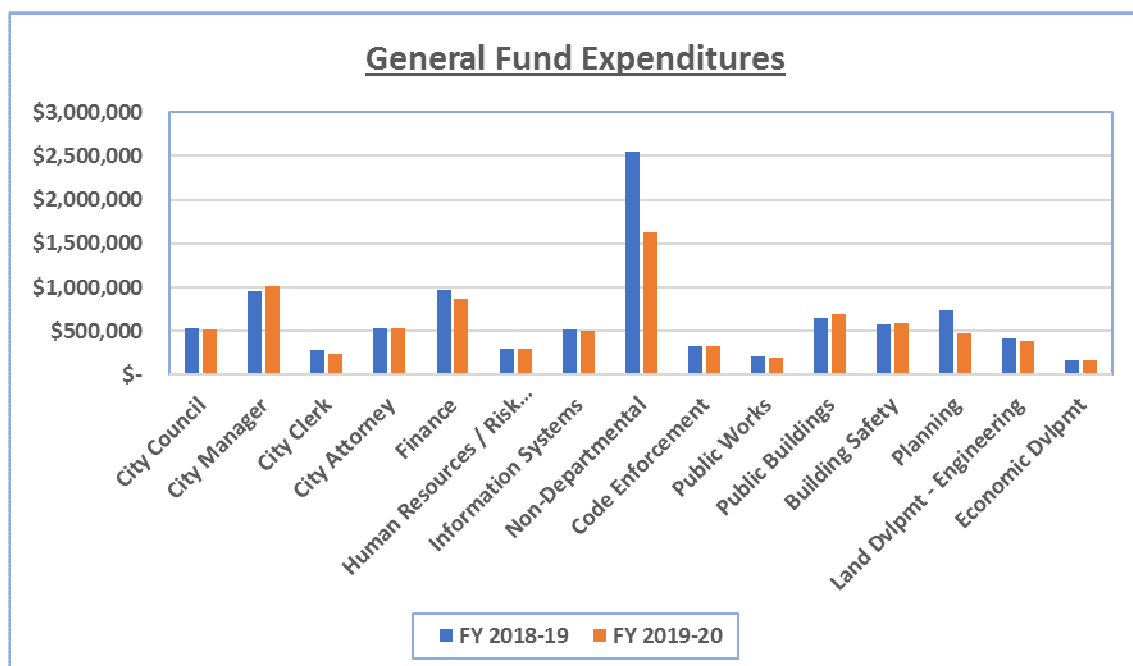
It is anticipated that the General Fund will receive \$15,229,874 in revenues and incur \$9,718,101 in expenditures during FY 2018-19; and \$14,433,085 in revenues and incur \$8,439,850 in expenditures during FY 2019-20.

Major sources of revenue in the General Fund include the following:



Major sources of General Fund revenues are shown in the chart above and account for 78% and 82% of all General Fund sources anticipated to be received in FY 2018-19 and FY 2019-20, respectively. Property taxes are anticipated to increase 5.0% in FY 2018-19 and 4.6% in FY 2019-20, as real estate activity remains steady and property values continue to increase. Dispensary fees are anticipated to increase 2% for each year in the budget, while cultivation taxes are expected to grow significantly in FY 2018-19, as additional facilities begin operations. Anticipated collections of development and related fees in FY 2018-19 are expected to remain consistent with levels experienced in FY 2017-18, primarily due to cultivation facility activity. However, a slight decrease is anticipated in development fee collections in FY 2019-20. Finally, Transient Occupancy Taxes are expected to increase 2% each year, while Sales & Use Taxes are expected to grow approximately 1.5% each year, as economic activity remains steady.

It is anticipated that the General Fund will incur \$9,718,101 and \$8,439,850 in expenditures during FY 2018-19 and FY 2019-20, respectively. Expenditure activity by department is shown in the following chart:



Significant activity in General Fund department budgets during the two-year budget cycle are referenced below:

City Council -	Addition of \$170,026 in contractual costs for debris removal (trash abatement) which is a reclassification from the City Manager department into the City Council Department.
City Manager -	Continuation of Special Project Manager contractual services, travel and training dealing with marijuana issues, and sponsored City events for both fiscal years.
Finance -	Increase of \$100,000 in FY 2018-19 for anticipated PUT Agreement unwinding costs.
Non-Departmental -	Inclusion of \$1,275,000 in costs during FY 2018-19 related to the General Fund contribution for the City Hall project (General Fund balance). Increase of \$67,000 and \$38,000 in FY 2018-19 and FY 2019-20, respectively for CalPERS Unfunded Liability amortization costs.
Building & Safety -	Continuation of Building Inspector contract services and California Code Check services for plan reviews (\$200,000).
Planning -	General Plan update costs of \$270,000 included in FY 2018-19.
Economic Development -	Increase in advertising costs (\$76,000) over FY 2017-18 for both fiscal years in the budget for Palm Springs Life Advertisement for the City, Buzz Factory marketing and promotional materials and HubSpot which is a social media based marketing program

Health & Wellness Fund

It is anticipated that the Health & Wellness Fund will receive \$627,554 and \$583,665 in revenue and incur \$577,550 and \$539,696 in expenditures during FY 2018-19 and FY 2019-20, respectively.

Revenue sources in the Health & Wellness Fund are limited to the following (FY 2018-19 / FY 2019-20):

- Reimburse of shared costs from Borrego - \$54,983 each year
- Swimming fees - \$6,500 first year
- Transfer in from the General Fund - \$490,571 / \$439,921
- Transfer in from the New Market Tax Credit Fund - \$75,500 each year

These amounts (with more than 75% of all sources transferred in from the General Fund) are used to fund the City's Furbee Aquatic Center, DHS Recreation, Borrego Health Center, and Community Health & Wellness Center programs. For each year in the budget, removal of contractual services costs related to the Boy's and Girl's Club reduce anticipated expenditures by \$120,000.

Public Safety Fund

It is anticipated that the Public Safety Fund will receive \$4,992,490 and \$5,041,321 in revenue and incur \$10,514,249 and \$10,911,434 in expenditures during FY 2018-19 and FY 2019-20, respectively.

Major sources of revenue received in the Public Safety Fund are as follows (FY 2018-19 / FY 2019-20):

- Public Safety Parcel Tax - \$2,380,970 / \$2,380,970
- Utility Users Tax - \$1,911,480 / \$1,949,710
- Proposition 172 Sales Tax - \$132,600 / \$135,252
- School Resource Officer Reimbursement - \$121,000 each year
- Supplemental Law Enforcement Grant (SLESA) - \$100,000 each year

The above revenue sources account for approximately 88% of all Public Safety Fund revenues, the balance of which are generated through fines, citations and other police-related fees. The two largest sources of revenue, the Public Safety Parcel Tax (P-Tax) and Utility Users Tax are forecasted to grow approximately 1.5% and 2.0% annually, respectively. Revenue sources listed above do not include the annually required transfer in from the General Fund (more than 50% of the total support required to balance the Public Safety Fund).

Sources generated by the Public Safety Fund, in addition to the required General Fund transfer, provide for the following key services (FY 2018-19 / FY 2019-20 budgeted expenditures):

- Police Patrol & Field (\$8,111,007 / \$8,371,918)
- Animal Control (\$360,862 each year)
- Fire Services (\$2,042,379 / \$2,178,652)

Significant changes in the Public Safety Fund expenditure budget from FY 2017-18 to the following two budget years include:

PERS UAAL Costs - Costs to amortize the CalPERS Unfunded Liability (UAAL) increase by \$84,000 from FY 2017-18 to FY 2018-19 and again by \$95,000 in the following year.

Contractual Svcs - Contractual services are anticipated to increase by approximately \$145,000 from FY 2017-18 due to special project manager contractual services, background, alcohol and blood and drug analysis services, and the reclassification of graffiti services from the police department (4223) account.

Fire Services - Fire Service contractual costs are expected to increase by \$181,000 in FY 2018-19 and again by \$136,000 in FY 2019-20.

Transfers Out - Transfers Out for equipment replacement are reduced by \$145,000 to \$136,816 in both budget years.

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Consolidated General Fund Forecast

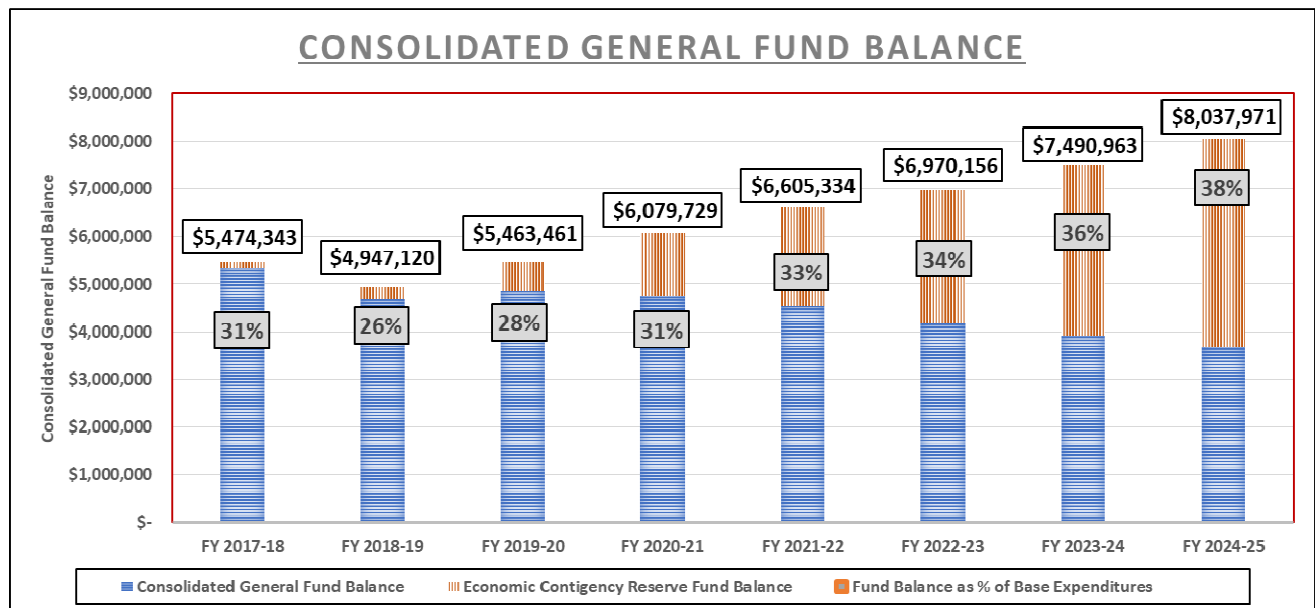
As previously discussed, a critical component of the budget development process is preparation of a long-term financial forecast for the City's Consolidated General Fund. The General Fund forecast accounts for the majority of required services funded by discretionary revenue sources. As shown in the chart below, Consolidated General Fund surpluses of approximately \$40,000 and \$167,000 are projected for FY 2018-19 and FY 2019-20, respectively. These projections are derived by comparing the estimated revenues with the cost of delivering a base level of services, as projected in the proposed budget for FY 2018-19.

FY 2018-19 to FY 2024-25 Consolidated General Fund Forecast							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues	\$20.85 M	\$20.06 M	\$19.98 M	\$20.35 M	\$20.61 M	\$20.97 M	\$21.29 M
Expenditures	\$20.46 M	\$19.17 M	\$19.35 M	\$19.81 M	\$20.23 M	\$20.43 M	\$20.71 M
Surplus / (Deficit)	\$389,000	\$886,000	\$630,000	\$540,000	\$380,000	\$536,000	\$578,000
<i>Economic Contingency Reserve Funding - funded in following year</i>	<i>\$349,000</i>	<i>\$719,000</i>	<i>\$733,000</i>	<i>\$748,000</i>	<i>\$763,000</i>	<i>\$778,000</i>	<i>\$810,000</i>
Net Surplus / (Deficit)	\$40,000	\$167,000	(\$103,000)	(\$208,000)	(\$383,000)	(\$242,000)	(\$232,000)

This forecast reflects management's best estimates on the projected revenues and expenditures using a conservative estimation approach over the next seven years, based on information currently available. The seven-year forecast was prepared using the following attributes:

- 81.5 Full Time Equivalent (FTE) staff wholly or partially budgeted in the Consolidated General Fund (note: an annual vacancy assumption of 5% for miscellaneous represented employees and 2.5 FTE Police personnel are included).
- One-time costs budgeted and/or incurred in FY 2017-18 have been removed from the forecast (note: one-time costs recommended as part of the biennial budget process are included).
- The forecast includes only currently negotiated and approved salary increases.
- CalPERS retirement costs are projected using forecasts available in the most recent actuarial reports (August 2017) (*note – future impacts of recent CalPERS investment returns and the policy change of amortizing unfunded liabilities over 20 years rather than 30 years are not included in the forecast estimates*).
- Expenditures include funding of the Economic Contingency Reserve (25% of Cannabis related revenue sources)
- Nominal annual cost inflators are built into forecast for supplies, materials, utilities and contracts.
- Capital costs are only included in the forecast for Police vehicle replacement.
- Available General Fund balance is included as a source of income in FY 2018-19 to fund a portion of the City Hall project.

Assuming the FY 2017-18 budgetary adjustments for both revenues and expenditures in the Consolidated General Fund are fully realized by June 30, 2018, the General Fund Balance is expected to be \$5.47 million. This fund balance includes the 25% of cannabis revenues designated for the Economic Contingency Reserve each year. The graph below shows General Fund balances considering the estimated annual impacts of the financial forecast:



The fund balance graph above accounts for the realization of the full extent of the annual surplus/deficit pursuant to the forecast, including the adjustments made for FY 2017-18.

Fiduciary Funds

These funds are used to account for resources held for the benefit of other parties outside the government. Desert Hot Springs has budgeted a total of (8) Fiduciary Funds as stated below in the Draft Budget (Revenues and Expenditures budgeted are for both fiscal years combined):

Description of Fund	Revenues	Expenditures
DHS Successor Agency Fund (911)	\$8,431,164	\$8,063,123
Community Facility District – Skyborne Fund (421)	\$464,804	\$374,401
Community Facility District Fund 2010-1 (580)	\$8,482	\$14,814
Community Facility District Funds (581-587)	\$10,748	\$18,230

The Desert Hot Springs Successor Agency (formerly the Redevelopment Agency) accounts for debt service payments on Successor Agency Bonds, property maintenance, utility costs for Successor Agency properties and administration costs for the Agency up to a maximum total of \$250,000 per year. All revenue and expenditures are approved through the Recognized Obligation Payment Schedule annually by the Desert Hot Springs Successor Agency, Oversight Board and the Department of Finance. This fund is budgeted at \$8,063,123.

The Community Facility District Skyborne Agency Bond Fund accounts for principal and interest payments on the 2006-1 Bonds, property tax administration, trustee administration costs and county fees. This fund is budgeted at \$374,401.

Community Facility District 2010-1 is a special taxing district that allows for the financing of the installation, operation and maintenance of public improvements. Community Facility District 2010-1 was created to ensure that each new development continues to pay for their fair share of costs for lighting, building maintenance, property tax administration fees, and City and County overhead fees as the community builds out. This fund is budgeted \$14,814.

Community Facility Districts (581-586) are developments that are required by the City to annex into the Community Facility District 2010-1 by forming their own district. Costs associated with those districts only pay for utilities, property tax administration fees, and City and County overhead fees dealing with their specific project budgeted at \$18,230.

*The grand total of 2-year budgeted revenues for Fiduciary Funds is: \$8,915,198
The grand total of 2-year budgeted expenditures is: \$8,470,568*

Special Revenue Funds

Special Revenue Fund(s) are created to account for proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. In this two-year draft budget cycle there are a total of (48) Special Revenue Funds. The revenues and expenditures listed in the columns are for two fiscal years.

<u>Description of Fund</u>	Revenues	Expenditures
SB1 Road Fund (142)	\$967,038	\$960,000
Gas Tax Fund (140)	\$1,485,522	\$1,485,522
Citywide Lighting and Maintenance District Fund (501)	\$1,349,852	\$1,351,188
Lighting and Maintenance District Funds (502-519) 18 total	\$425,718	\$881,756
Drainage Assessment District Funds (552-568) 17 total	\$411,508	\$774,440
Measure "A" Fund (127)	\$964,050	\$949,720
South Coast Air Quality Management District Fund (161)	\$496,050	\$496,050
Air Quality Control Fund (160)	\$74,620	\$74,620
Art in Public Places Fund (110)	\$140,080	\$85,000
Offsite Street/Sidewalk Improvements Fund (120)	\$96,200	\$424,000
County Service Area Fund (250)	\$267,492	\$267,400
Cabot's Museum Fund (270)	\$200,000	\$200,000
Supplemental Law Enforcement Fund (130)	\$200,010	\$200,000
Abandoned Vehicle Abatement Fund (233)	\$20,000	\$20,000
Emergency Preparedness Fund (246)	\$60,020	\$48,000
CDBG Grant Fund (145)	\$421,977	\$421,977

The SB1 Fund (142) – This funding allocation comes from the state for assistance to cities and counties to improve local streets and roads. Funding will be dedicated to road repairs, maintenance, and rehabilitation throughout the City. It can also be designated for expanding the City's growing network of pedestrian and cycling routes. This fund is budgeted at \$960,000.

The Gas Tax Fund (140) – Revenues from the gas tax deposited into the Highway Users Tax Account (HUTA) in the Transportation Tax Fund are apportioned by the SCO to cities and counties. The apportionment is based on the City's population, vehicle registration and maintained mileage. The City is required to expend gas tax revenues for street and road purposes (in compliance with state Safety and Health Codes) and to be accountable for the efficient and transparent use of the apportioned funds. The funding received and expended is audited by the State Controller's Office each year, with the completion of the annual street report prepared by the City. This fund is budgeted at \$1,485,522.

Citywide Lighting and Maintenance District Fund (501) - Funding is received through the County tax roll for assessments to all property owners in the City to provide funding for street lighting, park repairs and maintenance, park building repairs and maintenance, median landscaping, etc. This fund is budgeted at \$1,351,188.

Lighting and Maintenance District Funds (502–519) - As residential development was built, the City required that each individual development set up a separate Lighting Maintenance District. To date there have been a total of (18) Lighting Maintenance Districts approved. The property owners in each district pay and an annual assessment and that funding is used to pay for all maintenance costs for each individual district. A total of (18) districts has been budgeted in the amount of \$881,756.

Drainage Assessment District Funds (552-568) - Drainage Assessment Districts were also required by the City to be established for each residential development ensuring that the property owners would pay assessments each year to cover the costs associated with the maintenance of the Drainage Assessment District. To date a total of (17) Drainage Assessment Districts have been created and are budgeted at \$774,440.

Measure "A" Fund (127) - In 1998 the voters of Riverside County approved a half-cent sales tax for transportation funding to respond to the growing congestion by completing a list of transportation projects to address the problem. The funds collected go back to three districts: Western Riverside County, the Coachella Valley and Pal Verde, in proportion to what they contribute. Measure A Funding has been extended to continue to fund transportation improvements through 2039. A portion of the funding collected from RCTC funds a portion of the debt service for the Trip Bond through a transfer out to Fund (141), street maintenance and rehab through the collection of ½ cent sales tax distributed from the County. Each year this Fund is audited by County and this fund has been budgeted at \$949,720.

South Coast Air Quality Management District Fund (161) – This fund was established to account for the grant money received for the "building solar project". This project has spanned over a (2) year period and will be completed in 2018-2019 and is budgeted for a total of \$496,050. The grant was set up to pay for all expenses directly, but the City does have to record the revenues and expenses each year so there is no cash outlay.

Air Quality Control Fund (160) - The City receives funding from Air Quality Management District (from a portion of the vehicle registration fee), to provide funds for air districts to meet responsibilities mandated under the California Clean Air Act. The City's share of funding is used to reduce air pollution through regional street sweeping. There is a total of \$74,620.

Art in Public Places Fund (110) – This fund is supplied by a City established fee to promote the public interest and general welfare, through the acquisition and installation of public art. Art projects are presented to the City Council for approval and a total of \$85,000 has been budgeted for this program.

Offsite Street/Sidewalk Fund (120) – This funding comes from fees that are collected from new residential development in the City, to eventually build sidewalks in areas of the City where

none exist. The funding is used for large projects which will include sidewalks as a part of the street project. The total amount budgeted is \$424,000.

The County Service Area 152 Fund (250) – The National Pollutant Discharge Elimination System program addresses water pollution by regulating point sources that discharge pollutants to underground water tables. The City receives funding from NPDES which is used primarily for street sweeping and water inspections or any other type of expense to further reduce pollution to the underground water tables. A total of \$267,400 was budgeted.

Cabot's Museum Fund (270) – This fund was created to account for the operational and maintenance costs associated with the historical museum, which was donated to the City by Portia Yara. The Hopi-inspired building is hand-made and created from reclaimed materials found throughout the Coachella Valley. The Consolidated General Fund transfers money to this fund. A total of \$200,000 is budgeted.

Supplemental Law Enforcement Service Fund (130) – This fund receives amounts from the COPS grant program to pay for the costs of front line police services. The revenue received from this source is transferred out at the end of the year to the Public Services Fund (245) to reduce overall expenditures. A total of \$200,000 is budgeted.

Abandoned Vehicle Abatement Fund (233) – This fund receives Department of Motor Vehicle registration fees from the County to cover operational costs associated and incurred through the abandoned vehicle process within the City limits (on a reimbursement basis). A total of \$20,000 was budgeted.

Emergency Preparedness Fund (246) – This fund accounts for ambulance fines collected by the County which are then paid to the City. Funds can be used by the Fire Department to purchase supplies and equipment for responding to emergency calls. A total of \$48,000 is budgeted.

Community Development Block Grants Fund (145) – The City applies for this grant annually to fund various capital improvement throughout the City. The grantor reviews and approves projects that use CDBG funds. For 2017-2018, CDBG approved funding for the DHS Walking Path Project. The City has applied for a grant for fiscal year 2018-2019 for design of the Corporation Yard Park on Hacienda Drive. A total of \$421,977 is budgeted for both projects.

The grand total of 2-year budgeted revenues in the Special Revenue funds is: \$7,580,137

The grand total of budgeted expenditures in the Special Revenue funds is: \$8,639,673

Capital Project funds and Uses

Capital Project funds are created to account for the financial resources used for acquisition of capital facilities or for the construction of major capital facility

Description of fund	Revenues	Expenditures
Capital Improvement Project Fund (210)	\$6,362,200	\$6,362,000
Development Impact Fees Fund (101-108)	\$2,467,346	\$3,209,421
2012 Trip Bond Capital Fund (141)	\$806,988	\$ 809,588
Assessment District Funds (391 – 393)	\$50	\$137,400

The Capital Improvement Fund (210) – This fund accounts for all amounts collected through various funding sources to cover costs associated with approved Capital Improvement Projects. There are several projects scheduled for the next fiscal year. Detailed information on each

project can be referenced in the Three-Year Capital Improvement Plan. This fund is budgeted at \$6,362,000.

Development Impact Fee Funds (101-108) – Based on a legally required Nexus Report, this fund keeps track of fees collected from developers to address the increasing demands their development(s) have on various City infrastructures. Several projects identified in the Three-Year Capital Improvement Plan will use portions of the funds collected over the next two years. These (8) funds have been budgeted at \$3,209,421

2012 Trip Bond Capital Fund (141) – Currently, all the bond proceeds approved for various road rehabilitation projects have been expended. The expenditures captured in this fund will cover debt service payments and administration fees at the trustee level totaling \$809,588.

Assessment District (391 – 393) - The funding in these districts represent the balance of the reserves on hand at the maturity of the bonds in 2011. The funding has been moved into a Capital Improvement Fund from a debt service fund. All three Assessment Districts are budgeted at a total of \$137,400.

The grand total of 2-year budgeted revenues for the Capital Project Funds is: \$9,936,584
The grand total of 2-year budgeted expenditures for the Capital Project Funds is: \$10,518,409

Capital Improvement Fund City Hall Fund (222)

The City Council approved the new City Hall project in February 2017. The Finance staff uses Capital Improvement Fund (222) to account for costs associated with the new City Hall facility project. The funding for this project comes from a variety of resources: Consolidated General Fund, Equipment Replacement Fund, Development Impact Fees, Art in Public Places, Offsite Sidewalk Funds, County Service Area (152), Emergency Preparedness, and bond proceeds. The overall project is estimated at 7.2 million and will cover costs of grading, engineering and design, construction, tenant improvements, furniture, and equipment.

City staff will be working with the City Attorney to prepare an agreement to recapture all the Development Impact Fee shortfalls paid by the City's General Fund over a period to replenish the reserves in the General Fund on an annual basis until they are paid in full.

The City has estimated expenses in the next two-year budget cycle at \$5,745,414. Staff anticipates a minimum of 50% of the 3.2 million dollars being transferred from the General Fund for this project will be replenished back to the General Fund through the recoupment of Development Impact Fees.

Debt Service Fund

Debt Service Fund (401) accounts for the long-term debt service payments to the City's 2017 Desert Hot Springs Tax Allocation Refunding Bond. At the time this bond was issued, funding in the amount of \$3.0 million was set aside with the trustee for the construction of the City Hall Facility. The other expenses in this fund relate to annual interest, principal payments, trustee fees, and administration costs budgeted at \$3,177,474. The bond debt will be paid in full at the end of June 2040.

Internal Service Funds

The Internal Service Fund accounts for the financing of goods and services, provided between City departments on a cost/reimbursement basis.

<u>Description of fund</u>	<u>Revenues</u>	<u>Expenditures</u>
Risk Management Funds (600 & 610)	\$220,000	\$420,000
Equipment Replacement Fund (615)	\$273,632	\$756,007

Risk Management Funds (600 and 610) account for workers compensation insurance costs, general liability, and other property costs associated with the City's staffing, public facilities, vehicles, equipment, furniture, and fixtures. The costs paid from internal service funds are charged appropriately to the various departments. There is a total of \$420,000 budgeted for these two internal service funds.

Equipment Replacement Fund (615) is used to account for the purchase of capital assets for the City, specifically lease payments for Police Department vehicles. There is a total of \$756,007.

New Market Tax Credit Funds

In 2013, the City used a financing mechanism called the New Market Tax Credit to fund a portion of the Health and Wellness Facility design, construction, furniture, fixtures, and other associated costs. The funding and expenses being accounted for in the budget address interest, administration costs, and reportable depreciation for the financing budgeted at \$1,879,084.

FISCAL IMPACT

Consolidated General Fund revenues are projected to be \$20,849,918 and expenditures (including transfers) are projected to be \$20,809,900 for the Fiscal Year 2018-2019.

Consolidated General Fund revenues are projected to be \$20,058,071 and expenditures (including transfers) are projected to be \$19,890,980 for the Fiscal Year 2019-2020.

Other City revenues total \$17,788,138 and expenditures total \$22,555,084, for the Fiscal Year 2018-2019.

Other City revenues total \$14,081,894 and expenditures total \$16,162,872, for Fiscal Year 2019-2020.

EXHIBITS:

- 1) Draft Budget for Fiscal Years 2018-2019 and 2019-2020 Including Capital Improvement Project Schedule
- 2) Resolution Springs Approving the Fiscal Year 2018-2019 and 2019-2020 Budget and Fiscal Year 2018-2019 Appropriations Limit
- 3) FY 2018-2020 Budget PowerPoint
- 4) Capital Improvement Plan PowerPoint