



CITY of THE DALLES

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AGENDA STAFF REPORT

CITY OF THE DALLES

MEETING DATE	AGENDA LOCATION	AGENDA REPORT #

TO: Honorable Mayor and City Council

FROM: Kate Mast, Finance Director

THRU: Nolan K. Young, City Manager

DATE: June 9, 2011

ISSUE: Additional changes to the approved City Budget to be proposed during the Public Hearing on the approved Budget during the City Council meeting on June 13, 2011.

BACKGROUND: The State Office Building rental revenues received from each State entity that rents space there is divided into Base Rent which is received in monthly increments and reimbursement of additional maintenance and repair expenses that is invoiced based on actual expenses each Spring for the preceding period of February 1 through January 31. These total rent revenues are budgeted first to support the operation and maintenance of the State Office Building facilities, and then the remainder is budgeted in other funds for various other uses, such as repayment of debt and capital projects.

During May 2011 the City installed new carpeting in the State Office Building at a cost of approximately \$27,000. This expense was budgeted for the current fiscal year. However, since the project wasn't completed until May, the expense won't be eligible for reimbursement until after January 1, 2012, so the State Office Building Fund is facing a significant cash deficit in the current fiscal year. Staff will attempt to avoid this type of situation in the future by completing all reimbursement eligible projects before January 31st each year so the reimbursement will be received in the same fiscal year.

The approved budget contains an interfund transfer going out of the Capital Projects Fund and into the State Office Building Fund in the amount of \$25,000. \$5,000 of that transfer is intended to pay

for the payphone located at the State Office Building and property insurance for that facility. The other \$20,000 was intended to cover an expected cash deficit in the State Office Building Fund. Upon review, staff has determined that this is not an appropriate method of dealing with that issue as it would not remedy the cash deficit in the current fiscal year.

A more appropriate solution has been implemented, which is to simply post more of the rent revenues to the State Office Building Fund in the current year instead of applying it to the Capital Projects Fund. This is appropriate because the revenue line item for maintenance in the State Office Building Fund is budgeted to receive more than has been received so far and it is within the authority of the Manager to determine the order in which of the funds that have revenue line items for State Office Building rent should receive those funds. This will provide for a positive fund balance for the State Office Building Fund at the end of the year and will reduce the fund balance of the Capital Projects Fund by approximately \$20,000.

To avoid confusion and more accurately reflect the estimated activities in budget for next fiscal year, staff is proposing the following changes to the adopted budget.

State Office Building Fund:

Revenue Line Items:

Beginning Balance	change	\$ -23,234	to	zero 0	– increase \$ 23,234
Transfer from Cap Proj	change	25,000	to	5,000	– decrease 20,000
Maintenance Revenue	change	103,557	to	100,323	– decrease 3,234

Capital Project Fund:

Revenue Line Item:

Beginning Balance	change	\$ 423,753	to	\$ 403,753	– decrease \$ 20,000
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Expenditure Line Item:

Transfer to SOB Fund	change	\$ 25,000	to	5,000	– decrease \$20,000
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BUDGET IMPLICATIONS: Since all the changes to the State Office Building Fund are Revenue line items, there is no net change to that fund. The total Capital Project Fund will decrease by \$20,000.

ALTERNATIVES:

- A. **Staff Recommendation:** move to approve the changes to the approved budgets of State Office Building Fund and the Capital Projects Fund as proposed.
- B. Council could choose to not approve the proposed changes. This would result in the Capital Project Fund showing a higher beginning balance that is actually expected and the State Office Building Fund showing a lower beginning balance than actually expected. The budgets of both funds would include the \$20,000 transfer that is not necessary and that there is no intention to complete.