MEMORANDUM

TO: East Lansing City Council
   George Lahanas, City Manager

FROM: Jill Feldpausch, Finance Director
      Audrey Kincade, Budget and Accounting Administrator

DATE: June 15, 2018

SUBJECT: Amendments to FY2018 budgets for various funds in the combined amount of $5,511,480

Under the Uniform Budgeting Act, the State of Michigan requires municipalities to adopt not only a balanced budget, but also one where all of the actual expenditures have been budgeted for a fiscal year. As staff begins to estimate the preliminary financial results of the fiscal year, budget amendments for the General and several other funds appear to be necessary to comply with the state act for the fiscal year ending June 30, 2018.

We still have to charge approximately two payrolls and expenditures can be charged to FY2018 all the way through early August as we receive invoices for work completed in June. This proposed amendment tries to capture any potentials that may happen but do not have current budgets attached to them or items that have occurred since the last budget amendment. Since purchasing and payroll administration are decentralized, we try to assess an estimated year end number based on year to date spending trends and information from directors.

We have attached a schedule that itemizes the estimated necessary amendments to increase, decrease, or reallocate portions of the funds’ budgets based on the functional basis they were approved in the budget resolution. Below you will find a brief description of each of these changes.

**General Fund**

We are requesting that the size of the total appropriations for the FY2018 General Fund budget be increased by $1,650,000.

On the revenue side, we are adjusting intergovernmental revenue for an additional $100,000 of state revenue sharing, over what was projected. Permits for the building department is performing higher than anticipated allowing for
an additional $300,000 of revenue in this category. The new BWL franchise fee received was higher than expected, allowing for a budget increase of $250,000. Last, as noted below, a transfer of $1,000,000 from the Insurance Fund is planned to support a supplemental pension payment.

Expenditures are seeing a variety of adjustments, with the largest one being a recommendation to complete a $1.5 million supplemental pension payment for public safety. We feel this is prudent to use some of the additional revenues generated during the year as well as savings to contribute funds to our pension liability. The savings we have experienced in wages, due to a reduction in overall workforce, includes: $25,000 from police, $84,330 from fire, and $100,000 from treasury.

The public works function requires an additional $134,330, related to the HUD repayment for a sidewalk project. The final change to expenditures include $225,000 of additional transfers to other funds. We are proposing $50,000 to the Computer Services Fund to support technology upgrades for the 54B District Court and $175,000 to the Capital Improvement Fund (CIP) to cover additional costs of various facility improvements, primarily related to ADA compliance at City Hall.

**Parks and Recreation Fund**

We are requesting to reclassify appropriations for the FY2018 Parks and Recreation Fund budget. An emergency repair, of $40,000, was required to correct leaks at the Aquatic Center. This additional cost was offset by savings in other divisions: $25,000 in community events and $8,055 in before & after childcare. The original budget included an increase to accumulated reserves of $6,945. With the emergency repair noted above, the fund may not be able to add to reserves, but will not need to budget additional use of reserves, as a result of other savings.

**Prime Time Seniors Fund**

We are requesting that the size of the total appropriations for the FY2018 Prime Time Seniors Fund budget be increased by $30,000. Expenditures require an adjustment of $30,000 for costs related to an art studio renovation. Intergovernmental revenue will be increased by $12,500, for grants received for the art studio. As a result of generous private donations, the community support budget will increase by $75,325. With the additional revenue received from grants and private donations, the fund is able to reduce anticipated use of reserves by $57,825.
Capital Improvement Fund (CIP)

We are requesting that the size of the total appropriations for the FY2018 Capital Improvement Fund budget be increased by $3,175,000. The Wilson Road project, in conjunction with MSU, has begun. This will increase intergovernmental revenue by $1,200,000, from state grants, and charges for services by $1,800,000, paid by MSU for administration and reimbursement of project costs. Public works expenditures will increase by $3,000,000, directly relating to Wilson Road project costs. We are also recommending a transfer of $175,000 from the General Fund to cover the unanticipated costs related to various facility improvements, noted above.

Capital Improvement Parks Fund

We are requesting to reclassify appropriations for the FY2018 Capital Improvement Parks Fund budget. The intergovernmental revenue budget will be decreased by $260,000 as grant revenues received will be lower than anticipated. Due to the timing of the expenditures and reimbursement schedule of the Ingham County grant, we are anticipating a $260,000 shortfall. This shortfall will be covered by a transfer from the Insurance Fund and will be reimbursed, in full, in FY2019.

Computer Services Fund

We are requesting that the size of the total appropriations for the FY2018 Computer Services Fund budget be increased by $50,000. We are recommending a transfer of $50,000 from the General Fund for future technology upgrades for the 54B District Court. When the court technology fund was transferred to the General Fund in FY2016, this amount should have been credited to the Computer Fund, rather than the General Fund.

Insurance and Benefits Fund

We are requesting that the size of the total appropriations for the FY2018 Insurance and Benefits Fund budget be increased by $606,480. We are recommending a transfer of $1,000,000 to the General Fund to support a supplemental pension payment. The Capital Improvements Parks Fund is anticipating a $260,000 shortfall, relating to timing of Ingham County grants. This shortfall will be covered by a transfer from the Insurance Fund and will be reimbursed, in full, in FY2019. The additional transfers will be partially offset, $653,520, by savings in health insurance costs from an overall reduction in workforce. The remaining $606,480 will increase the use of accumulated reserves.
ACTION REQUESTED

Please place the attached FY2018 budget amendment schedule on the June 19th City Council business agenda for discussion and approval. We recommend approval of the amendments, as presented, in the combined amount of $5,511,480.