

## M E M O R A N D U M

**To:** Town Commission

**From:** Howard Tipton, Town Manager

**Meeting date:** October 27, 2023

**Subject:** Resolution 2023-30, Amending the FY23 Adopted Budget for Year-End Transfers in the Miscellaneous Grant Fund, GMD Undergrounding Assessments Fund, GMD Undergrounding Construction Fund, Neighborhood Assessments Fund, Neighborhood Undergrounding Construction Fund and the Utility Operating Fund

### **Recommended Action**

Following public hearing, pass Resolution 2023-30.

### **Background**

The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed the appropriations), per Town Charter is at the department level. This means that departments may go over or under budget on individual line items, but they are not allowed to exceed the expenditures appropriated for their department budget in total.

For transfers between departments or programs, Article V, Section 9 (d), of the Town Charter, states that the Town Manager may transfer up to \$24,004 (\$20,000.00 adjusted for CPI US City Average measured each year on September 30) between line items within or between departments or among programs. Transfers greater than \$24,004 and amendments which change the original budget in total, or amendments requiring the use of unappropriated fund balance, require Town Commission approval.

The occurrences which cause an overage in the departmental line items are communicated on a regular basis to the Town Manager by Department Heads and Finance staff. In some circumstances, the Town waits until the close of the year end to finalize the process.

Based on the criteria above, the following budget amendments are being proposed:

### **Fund 113 Miscellaneous Grant Fund**

During the year, the Firehouse Subs Public Safety Foundation Board of Directors awarded the Town of Longboat Key on behalf of Town of Longboat Key Fire Rescue Department the requested Hurst Cutter, Spreader, Ram, & Accessories valued at \$39,295.00. A direct purchase of the extrication equipment was made by the Foundation, however we are required to report a grant revenue and expenditure for the value of equipment received, in accordance with Generally Accepted Accounting Principles (GAAP).

The I.T. Department also applied for and received a Local Government Cybersecurity Grant from the State of Florida Department of Management Services valued at \$18,664.00.

Both of these transactions change the Original Budget in total requiring Commission approval. Resolution 2023-30 establishes the grant revenue and expenditures budget lines needed to record both of these transactions.

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
113-20-20-366.0001	Contribution-Private Organization	\$39,295
113-20-20-564.6403-FD-EXTR	Extrication Equipment	\$39,295
113-10-09-334.9001-IT-CYBR	State Grant	\$18,664
113-10-15-568.6801-IT-CYBR	Software	\$18,664

### **Fund 134/137 GMD Undergrounding Assessments/Neighborhood Undergrounding Assessments Funds**

### **Fund 304/307 GMD Undergrounding Construction/Neighborhood Undergrounding Construction Funds**

The Town has two Special Revenue Funds that are used to account for the collection of annual special assessment revenues from the Tax Collector and the collection of prepayments on assessments from real estate transactions. The Town also has two Construction Funds that account for the bond proceeds and capital outlay for the project. Finally, the Town has two Debt Service Funds that record the payments of principal and interest on the debt.

Assessment revenue is transferred monthly from the Special Revenue Funds to the Undergrounding Debt Service Funds in an amount that never exceeds the required annual debt payment and any excess collections have remained in the accounts earning interest.

The Town began collecting assessments on the annual tax roll in 2016 for GMD and 2018 for remaining Neighborhoods using a 6% estimated interest rate. Debt was issued in December 2018 at interest rates just under 4%. The Town has continued to collect assessments based on the original higher rate of 6% with the intent of recalculating all the assessments at completion of the project, based on actual costs and the actual interest rate on the bonds.

As we are nearing the five-year anniversary of the bonds (December 2023), without a finished project, the Finance Department is taking appropriate action to reduce any arbitrage risk associate with the bonds. With the advice of bond counsel, the accumulated cash balances in our Assessment Funds, with the exception of prepaid assessments, which must be used to redeem bonds in \$100,000 increments, may be used to pay for the remaining construction costs owed on the project. The terms of the bond structure do not allow us to call bonds for excess funds until the project is completed. The proposed transfer of cash to the Construction Funds reduces the arbitrage risk associated with the higher interest rates we have been experiencing this past year. In addition, any excess funds in the Construction Funds after the completion of the project may be used to redeem bonds and reduce the assessments.

Resolution 2023-30 establishes the revenue and expenditures budget lines needed to record both of these transactions and the following represent transfers of excess cash from the Special Revenue Funds to the Construction Funds:

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
134-90-85-581.0304	Transfer to GMD Construction Fund	\$2,378,000
304-00-22-381.0134	Transfer from Assessment Fund	\$2,378,000
137-90-85-581.0307	Transfer to Neighborhoods Construction Fund	\$1,114,500
307-00-22-381.0137	Transfer from Assessment Fund	\$1,114,500

### **Fund 401 Water and Wastewater Operating Utility Fund**

During the year, the Water and Wastewater System experienced a break in the water line causing an overage in Water Purchased for Resale by approximately \$170,000. The Public Works team conducted a number of coordinated efforts over several months to check, re-check, analyze, and observe to determine if the Town was experiencing high irrigation usage, a water leak, water theft, or some combination of these. As part of these efforts, Public Works also conducted a series of valve closures and isolation of areas that led to discovery of a leak along one of our deeper water mains along Gulf of Mexico Drive. The location was near the intersection of the north entrance to Longboat Club Road, but on the east side of the roadway, at the pedestrian crosswalk. The Town staff was able to isolate and shut down that portion of water main without impacting flows to customers (that area has a loop to feed water from another direction). Bennett Contracting, Inc. was hired to replace a 360-foot run of 16" water pipe with associated fittings and perform necessary testing where the water leak occurred, albeit at a much shallower depth than the current 12-foot deep pipe. We have replaced that full run to make that part of the water main much shallower and accessible for maintenance and repairs.

Resolution 2023-30 transfers surplus funds in the Wastewater Department (# 30-53) to the Water Department (#30-52) shown below:

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
401-30-52-552.5207	Water Purchased for Resale	\$170,000
401-30-53-531.3104	Professional Services - Other	(\$49,000)
401-30-53-549.4604	R/M Lift Stations	(\$41,600)
401-30-53-531.3122-WW-LEAK	Consent Order Leak Mitigation	(\$79,400)

As of the date of this report there were no other Funds or Departments requiring amendments, however, the Finance Department continues to process invoices and make accruals for the audit. Additional amendments may be required as a result of the year-end audit adjustments.

### **Staff Recommendation**

Following public hearing, pass Resolution 2023-30.

### **Attachments**

Resolution 2023-30

## RESOLUTION 2023-30

**A RESOLUTION OF THE TOWN OF LONGBOAT KEY, FLORIDA, AMENDING THE FISCAL YEAR ADOPTED BUDGET BEGINNING OCTOBER 1, 2022, AND ENDING SEPTEMBER 30, 2023; TRANSFERRING FUNDS FROM REVENUES, OTHER FINANCING SOURCES OR OTHER EXPENDITURE LINES TO COVER OVERAGES IN OPERATING DEPARTMENT EXPENDITURES WITHIN ADOPTED FUND BUDGETS, PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE - DATE.**

**WHEREAS**, throughout the fiscal year individual department expenditure accounts may go over budget requiring a budget transfer to be made; and

**WHEREAS**, the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed the appropriations), pursuant to Town Charter is at the Department level; and,

**WHEREAS**, the Town Manager has the authority to transfer appropriations up to \$24,004 between or within departments within the same fund; and,

**WHEREAS**, in the Fiscal 2022-23 year, budget transfers greater than \$24,004, or amendments which change the original budget in total or amendments requiring the use of unappropriated fund balance, require Town Commission approval; and,

**WHEREAS**, the Fire Department received extrication equipment from the Firehouse Subs Public Safety Foundation valued at \$39,295 requiring the recording of a grant revenue and equipment expense that was not originally budgeted; and,

**WHEREAS**, the I.T. Department received cybersecurity software through the Local Government Cybersecurity Grant from the State of Florida Department of Management Services valued at \$18,664 requiring the recording of a grant revenue and software expense that was not originally budgeted; and,

**WHEREAS**, the Town desires to amend the Miscellaneous Grant Fund (#113) to recognize the new revenue sources and related expenses for the above referenced transactions; and,

**WHEREAS**, the Town has two Special Revenue Undergrounding Assessment Funds, for Gulf of Mexico Dr. ("GMD") and Neighborhoods, that are used to account for the collection of annual special assessment revenues from the Tax Collector and the collection of prepayments on assessments from real estate transactions; and

**WHEREAS**, assessment revenue is transferred monthly from the Special Revenue Funds to the Undergrounding Debt Service Funds in an amount that never exceeds the required annual debt payment and any excess collections have remained in the accounts earning interest; and,

**WHEREAS**, with the advice of Bond Counsel, the Finance Department desires to transfer excess collections of \$2,378,000 in the GMD Assessment Fund to the GMD

Undergrounding Construction Fund and \$1,114,500 in the Neighborhood Assessment Fund to the Neighborhood Undergrounding Construction Funds to pay for remaining construction costs of the project; and,

**WHEREAS**, the proposed transfer of funds to the above referenced Construction Funds reduces the arbitrage risk associated with the higher interest rates we have been experiencing this past year; and,

**WHEREAS**, any excess funds in the Construction Funds after the completion of the project may be used to redeem bonds and reduce the assessments; and

**WHEREAS**, the Water and Wastewater System experienced a break in a water line causing an overage in Water Purchased for Resale in the amount of \$170,000; and

**WHEREAS**, the Public Works Department requests to transfer surplus funds in the Wastewater Department to the Water Department to cover the overage; and

**WHEREAS**, the Finance Director certifies that there are available and unallocated funds in the Fiscal Year (FY) 2022-2023 budget to make the above referenced transfers; and,

**WHEREAS**, Article V, Section 9 of the Town Charter provides for such budget amendments; and,

**NOW, THEREFORE**, be it resolved by the Town Commission of the Town of Longboat Key, Florida, that:

SECTION 1. The above Whereas clauses are true and correct and are hereby ratified, confirmed and fully incorporated by reference.

SECTION 2. The Adopted Budgets of the designated Funds referenced above of the Town of Longboat Key for the fiscal year beginning October 1, 2022, and ending September 30, 2023, as adopted pursuant to Resolution 2022-15 are hereby amended as follows:

Miscellaneous Grant Fund (#113)

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
113-20-20-366.0001	Contribution-Private Organization	\$39,295
113-20-20-564.6403-FD-EXTR	Extrication Equipment	\$39,295
113-10-09-334.9001-IT-CYBR	State Grant	\$18,664
113-10-15-568.6801-IT-CYBR	Software	\$18,664

GMD Assessment Fund (#134)

Neighborhood Assessment Fund (#137)

GMD Undergrounding Construction Fund (#304)

Neighborhood Undergrounding Construction Fund (#307)

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
134-90-85-581.0304	Transfer to GMD Construction Fund	\$2,378,000
304-00-22-381.0134	Transfer from Assessment Fund	\$2,378,000

137-90-85-581.0307	Transfer to Neighborhoods Construction Fund	\$1,114,500
307-00-22-381.0137	Transfer from Assessment Fund	\$1,114,500

Water and Wastewater Operating Fund (#401)

<b>Account number</b>	<b>Account Description</b>	<b>Increase (Decrease)</b>
401-30-52-552.5207	Water Purchased for Resale	\$170,000
401-30-53-531.3104	Professional Services - Other	(\$49,000)
401-30-53-549.4604	R/M Lift Stations	(\$41,600)
401-30-53-531.3122-WW-LEAK	Consent Order Leak Mitigation	(\$79,400)

SECTION 3. If any section, subsection, sentence, clause, or provision of this Resolution is held invalid, the remainder of the Resolution shall not be affected.

SECTION 4. This Resolution shall become effective immediately upon adoption.

Passed at a meeting of the Town Commission of Longboat Key, Florida, following public hearing, this 6th day of November, 2023.

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Kenneth Schneier, Mayor

ATTEST:

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Trish Shinkle, Town Clerk

**End of Agenda Item**