

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

**TO:** Town Commission  
**FROM:** Tom Harmer, Town Manager  
**REPORT DATE:** November 8, 2019  
**MEETING DATE:** December 2, 2019  
**SUBJECT:** Resolution 2019-18 Amending the FY19 Budget Providing for Year End Transfers and Reconciliation of Accounts for the Tennis Center Special Revenue Fund, GMD and Neighborhood Undergrounding Debt Service Funds and the Water and Sewer Utility Enterprise Fund

**Recommended Action**

Pass Resolution 2019-18.

**Background**

Throughout the fiscal year Department Directors are responsible for operating within their legally adopted budgets. 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 \$20,340 (\$20,000 adjusted for CPI US City Average 1.7% measured 9/30/2019) between line items within or between departments or among programs. Transfers greater than \$20,340 requires 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. In some circumstances, the Town waits until the close of the year end to finalize the process. There is also the possibility that additional approvals may be required as a result of the year-end audit adjustments.

Based on the explanation above, I am requesting budget adjustments as detailed below:

**Fund 112- Tennis Fund**

The Tennis Center ended the year with the following positive actual operating results:

Total Revenue	\$673,986
<u>Total Expense</u>	<u>\$658,563</u>
Excess Revenues over Expenses	\$15,422

On a budgetary basis, total expenses exceeded the budget by \$46,043, which will be covered by the additional revenue the Tennis Center took in. The proposed adjustments are shown below to balance the Tennis Center's budgeted expenditures.

Additional revenue sources available to balance the budget:

112-40-28-347.2107 Tennis Lesson Revenue	\$39,836
112-40-28-347-9102 Merchandise Sales Revenue	<u>\$6,207</u>
	\$46,043

Additional expenses which exceeded budget:

112-40-28-512.1210 Wages / Lessons	\$16,240
112-40-28-549.4924 Contracted Lessons	\$1,747
112-40-28-549.4921 Cost of Merchandise	<u>\$28,056</u>
	\$46,043

### **Fund 204- GMD Debt Service Fund**

The Town issued bonds for the GMD Undergrounding Fund project on December 31, 2018. The bond issue was structured so that a portion of the assessments to be collected with the November 2018 tax bills would be used for the Project, thereby reducing the amount of the bond issue and the other portion would be used for the debt payment. The first debt payment was an interest only payment of \$330,541, due August 1, 2019. This debt structure was not anticipated at the time we adopted the budget.

On a budgetary basis, the following adjustment is required to account for this debt transaction.

204-80-80-572.7201 Interest on Long Term Debt	\$330,541
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The funding source for this transaction is use of Fund Balance. A transfer of \$330,541 of GMD assessments was transferred from the GMD Assessment Fund to the GMD Debt Service Fund to cover the debt payment.

### **Fund 207- Neighborhood Debt Service Fund**

The same circumstances described above for the GMD Undergrounding Bond issue occurred on the Neighborhood Bond issue. The first debt payment was an interest only payment of \$417,619, due August 1, 2019. The debt structure was not anticipated at the time we adopted the Budget.

On a budgetary basis, the following adjustment is required to account for this debt transaction.

207-80-80-572.7201 Interest on Long Term Debt	\$417,619
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The funding source for this transaction is use of Fund Balance. A transfer of \$417,619 of Neighborhood assessments was transferred from the Neighborhood Assessment Fund to the Neighborhood Debt Service Fund to cover the debt payment.

### **Fund 401 Water and Sewer Operating Fund**

The Water and Sewer Utility Fund incurred \$66,387 of unbudgeted costs associated with a debt refinancing. The Commission passed Resolution 2019-12 on July 1, 2019 authorizing the refunding of its General Obligation Notes, Series 2009, reducing the interest rate from 6.32% to 2.41%, with the savings of approximately \$54,000 to be realized over the remaining term of the debt which matures on October 1, 2022. As a result of the debt restructure, the Town prepaid a portion of the interest held in debt reserves in the amount of \$25,980 and bond closing costs of \$40,407.

In addition, the Water and Sewer Utility Fund had overages in both water purchased for resale, and wastewater treatment for a total of \$238,304.

The Department experienced several incidents that contributed to the increase in water usage.

- A Water main break, a broken valve at the booster station and flushing of the water system in May contributed to water losses which caused the Town to purchase water from the City of Sarasota through our emergency connection of approximately 2.2 million gallons in addition to 1.5 million gallons from Manatee County. The losses associated with the water main break were billed to the responsible party and reimbursed.
- Water used for Emerald Harbor Utilities Project – June 2018 – July 2019 – approximately 2.7 million gallons used for flushing and filling new water mains. Water usage is billable to the project.
- Undergrounding Project – Wilco – for directional drilling for conduit for FPL lines – 207,000 gallons. Water usage is billable to the project.
- Increased population April – May because of Easter holiday being later in the month – approximately extra usage over 300 thousand gallons of water a day during that period which was recovered through user fees.

For the treatment of wastewater budget, the Town had to treat 5.5 million excess gallons.

- The Town experienced heavy rain falls in July (12”) and August (10”) causing high flows from inflow and infiltration (I&I) causing approximately 18 day of flow over 2 million gallons and 2 days with flows over 2.2 million gallons. Over a given year, wastewater flows an average of 1.7 million gallons per day.

The results of operations for the year is still pending as the Finance Department continues its year end close process.

The following adjustments are required to balance the budget:

Transfer to:

401-30-52-552.5207 Water purchased for resale	\$129,356
401-30-53-552.5209 Wastewater Treatment	108,948
401-80-54-565.6527 Bond Closing Costs	40,407
401-80-54-572.7201 Interest on Long Term Debt	<u>25,980</u>
TOTAL	\$304,691

Transfer from:

401-00-00-272-0001 Fund Balance	\$304,691
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### **Staff Recommendation**

Pass Resolution 2019-18.

### **Attachments**

Resolution 2019-18

## RESOLUTION 2019-18

**AN ORDINANCE AMENDING THE BUDGETS FOR THE TENNIS CENTER SPECIAL REVENUE FUND, THE GULF OF MEXICO DRIVE UNDERGROUNDING DEBT SERVICE FUND, THE NEIGHBORHOOD UNDERGROUNDING DEBT SERVICE FUND, AND THE WATER AND SEWER UTILITY ENTERPRISE FUND, OF THE TOWN OF LONGBOAT KEY, FLORIDA, FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2018, AND ENDING SEPTEMBER 30, 2019; TRANSFERRING FUNDS FROM REVENUES AND OTHER FINANCING SOURCES OR OTHER EXPENSE LINES TO COVER OVERAGES IN OPERATING DEPARTMENTS TO EACH FUND 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**, budget transfers which change the total original budget or require the use of unappropriated fund balance, amend the original budget, requiring Town Commission approval; and,

**WHEREAS**, the Tennis Center total expenses exceeded their budget by \$46,043, which will be covered by additional revenue the Tennis Center took in for tennis lessons and merchandise sales; and,

**WHEREAS**, the Town issued bonds for the Gulf of Mexico Drive and Neighborhood Undergrounding Projects on December 31, 2018, requiring interest payments of \$330,541 and \$417,619, respectively, on August 1 2019 which were not budgeted; and,

**WHEREAS**, the Gulf of Mexico Drive and Neighborhood Undergrounding Debt Service Funds have sufficient fund balance to cover the debt payments due to the collection of special assessments; and,

**WHEREAS**, the Water and Sewer Utility Fund had overages in both water purchased for resale and wastewater treatment for a total of \$238,304 to be covered by fund balance; and,

**WHEREAS**, the Town desires to amend the budgets of the Tennis Center Special Revenue Fund, the Gulf of Mexico Drive Undergrounding Debt Service Fund, the Neighborhood Undergrounding Debt Service Fund and the Water and Sewer Utility Enterprise Fund; and,

**WHEREAS**, the Finance Director certifies that sufficient unappropriated balances are available in the Tennis Center Special Revenue Fund, the Gulf of Mexico Drive Undergrounding Debt Service Fund, the Neighborhood Undergrounding Debt Service Fund and the Water and Sewer Utility Enterprise Fund to make the required appropriations; and,

**WHEREAS**, Article V, Section 9 of the Town Charter provides for such a supplemental appropriation.

**NOW, THEREFORE, BE IT ORDAINED 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 herein.

SECTION 2. The budgets of the designated Funds listed above of the Town of Longboat Key for the fiscal year beginning October 1, 2018, and ending September 30, 2019, as adopted pursuant to Resolution 2018-16 are hereby amended to transfer a total of One Million Ninety-Eight Thousand Eight Hundred Ninety-Four and 00/100 dollars (\$1,098,894.00) as shown on Exhibit A. Exhibit A is hereby incorporated herein by reference.

SECTION 3. This Resolution shall become effective immediately upon adoption.

Adopted at a meeting of the Town Commission of Longboat Key, Florida the \_\_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
George L. Spoll, Mayor

ATTEST:

\_\_\_\_\_  
Trish Shinkle, Town Clerk

Attachment: Exhibit A

## Exhibit A

### Fund –112- Tennis Fund

Additional revenue sources:

112-40-28-347.2107 Tennis Lesson Revenue	\$39,836
112-40-28-347-9102 Merchandise Sales Revenue	<u>6,207</u>
	\$46,043

Expenses which exceeded budget:

112-40-28-512.1210 Wages / Lessons	\$16,240
112-40-28-549.4924 Contracted Lessons	1,747
112-40-28-549.4921 Cost of Merchandise	<u>28,056</u>
	\$46,043

### Fund –204- GMD Undergrounding Debt Service Fund

Other financing sources:

204-00-00-281.0001 Unappropriated Fund Balance	\$330,541
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Expenses which exceeded budget:

204-80-80-572.7201 Interest on Long Term Debt	\$330,541
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### Fund –207- Neighborhood Undergrounding Debt Service Fund

Other financing sources:

207-00-00-281.0001 Unappropriated Fund Balance	\$417,619
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Expenses which exceeded budget:

207-80-80-572.7201 Interest on Long Term Debt	\$417,619
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### Fund –401- Water and Sewer Utility Enterprise Fund

Other financing sources:

401-00-00-272.0001 Unrestricted Net Assets	\$304,691
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Expenses which exceeded budget:

401-30-52-552.5207 Water purchased for resale	\$129,356
401-30-53-552.5209 Wastewater Treatment	108,948
401-80-54-565.6527 Bond Closing Costs	40,407
401-80-54-572.7201 Interest on Long Term Debt	<u>25,980</u>

TOTAL	\$304,691
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### Total All Funds

Total Expense Increases	\$1,098,894
Total Revenue Increases	\$46,043
Total Use of Fund Balance	\$1,052,851

**End of Agenda Item**