

TO: Mayor and City Council
THROUGH: Steve Powers, City Manager
FROM: Kacey Duncan, Deputy City Manager
SUBJECT: Supplemental information regarding final additions, deletions, and changes recommended by the Budget Committee.

ISSUE:

To provide additional information regarding the final additions, deletions, and changes recommended by the Budget Committee as a supplement to Attachment 1 of Agenda Item 4.d.

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

Attachment 1 of Agenda Item 4.d. provides the actions related to changes to the [City Manager's proposed FY 2019 budget for the City of Salem](#) as approved by the Budget Committee. This report provides more detail related to the approved changes.

FACTS AND FINDINGS:

Capital Improvements Fund (255) and Utility Fund (310)

The changes to the proposed Capital Improvements Fund and Utility Fund budgets were related to two capital improvement projects. An additional \$950,000 of appropriation authority was required in the Utility Fund to transfer rate revenue to the Capital Improvements Fund to support the below-listed projects with a total expenditure budget of \$950,000.

Mill Race Culvert Replacement at Fire Station No. 1, Project 718205, \$150,000

Design for the replacement of approximately 120 feet of failing storm drain pipe beneath the landscaped area behind Fire Station 1. Following design work the construction costs, which are not able to be estimated at this time, will be included in the FY 2020 – FY 2024 Capital Improvement Plan.

12th Street SE Stormwater Improvements – Hoyt Street to Fairview Avenue, Project 715200, \$800,000

The increase of \$800,000 for this stormwater improvement was needed to adequately fund the project. Competitive bids received for the project on April 17, 2018, included stormwater-related bid item prices being much higher than originally budgeted. The increased cost could not have been included in the Recommended FY 2019 – FY 2023

Capital Improvement Plan or the Proposed FY 2019 City of Salem Budget due to the timing of the bid opening. The project appears on page 335 of the proposed budget document with an appropriation of \$235,000. The additional funding increases the project in the budget to \$1,035,000.

Equipment Replacement Reserve Fund (388)

An estimate of possible revenue to be derived from the sale of de-commissioned City vehicles was omitted from the Equipment Replacement Reserve Fund. As each City department and fund combination with a vehicle inventory in the City's fleet has an individual cost center in the Equipment Replacement Reserve Fund, the action approved by the Budget Committee added a total of \$139,670 estimated revenue to the *Sale of Assets* account code in cost centers for Parks Operations, Community Development Neighborhood Enhancement Division, Police Patrol Division, Urban Development Parking Services, Public Works Transportation Services, Community Development Building and Safety Division, and Public Works Utility Operations. There was no corresponding change to the expenditure budget, which resulted in a total increase of \$139,670 to unappropriated ending working capital disbursed among the above-noted cost centers.

General Fund (101)

Changes to the General Fund budget reflect an increase to working capital and revenues with an offsetting increase to unappropriated ending working capital.

A re-estimation of FY 2018 year-end results for revenues and expenditures in the General Fund resulted in a recommended increase of \$950,120 to working capital to begin FY 2019. The increase represented an estimated \$744,220 in additional expenditure savings and \$205,900 in additional revenue. The new total for estimated working capital is \$23,719,140.

The re-forecast of FY 2018 revenues prompted recommended changes to the revenue budget for FY 2019 as well. Growth in telecommunications franchise fees and changes to revenue trends in cable franchise fees prompted the recommendation to increase the category of franchise fee revenues by \$192,420 to a total of \$18,436,350. The breakdown of changes within the category is as follows:

- Increase *Telecommunications Franchise Fee / Account 32120* by \$310,290
- Decrease *Cable Franchise Fee / Account 32150* by \$117,870

In addition, an increase of \$126,460 was recommended for the revenue account, *State Revenue Sharing* to a new total of \$1,776,830.

The changes approved by the Budget Committee increased working capital by \$950,120 and revenues by a net amount of \$318,880 for a total change to FY 2019 General Fund resources of \$1,269,000. The Budget Committee also approved an equivalent increase of \$1,269,000 to unappropriated ending working capital.