



**City Council
Agenda Memo**

City Council Meeting Date: 8/27/2015

TO: Mayor & Council

FROM: Robert Hanna, City Manager

SUBJECT: Council Policy Statement 2015-001 – Revenues Collected in Excess of Revised Budget

GENERAL INFORMATION

As you know, staff committed to bringing a Council Policy Statement forward to identify a process whereby Council may elect to “ earmark” end of year revenues that exceed revised budget amounts. This is that policy statement.

Staff has attempted to identify a process that respects Council’s right to establish funding priorities while also recognizing that staff doesn’t always predict expenditures accurately at the beginning of the fiscal year. Expenditure needs change over the course of a 12 month period and often there are unexpected expenditures that are appropriate and required to be made in order to continue to provide essential services without interruption. While communities handle this reality differently, Abilene has a long established history of adopting a revised budget to “cap” the fiscal year. This solution is as good as others, and perhaps better than some.

The attached policy statement asks that Council identify a funding program for the upcoming fiscal year to serve as a place holder for revenues in excess of revised budget expenditures. The policy sets forth a process that actualizes the potential expenditure identified in the funding program. That process is three fold.

The first step asks Council to identify a potential funding program as part of the annual budget process. The funding program shall consider unfunded budget requests, additional resources for recurring operating expenses, one-time capital expenditures, dedication of resources for capital replacement funds or other internal service funds. The funding program is intended to address larger, more complex one-time capital needs. That said, nothing prevents Council from funding recurring operational expenditures if the revenues themselves will remain available year over year.

The second step waits until the independent third-party auditor completes his or her work and identifies final revenues over expenditures. The City Manager will report any revenues above the City’s minimum fund reserve requirements and he will recommend any changes to the funding program that might have arisen between the adoption of the budget and the reporting of the audit.

The final step in the process requires Council to adopt a funding program and authorize the City Manager to expend the identified revenues in accordance with the program.

The attached Council Policy sets forth this process in a logical, but not necessarily sequential order, to implement the process identified above.

SPECIAL CONSIDERATIONS

FUNDING/FISCAL IMPACT

Since the funds being spent in accordance with this policy are not expended until they have been fully realized and verified through an independent audit, staff sees no negative fiscal impact. One word of caution, we must exercise the required discipline to keep our reserves as we should, and we should only fund recurring expenditures when the revenues used to do so can reasonably be assumed to return year after year.

STAFF RECOMMENDATION

Staff recommends adoption of the policy as drafted, or as may be amended by the City Council.

BOARD OR COMMISSION RECOMMENDATION

ATTACHMENTS:

Description	Type
☐ Policy	Backup Material

COUNCIL POLICY STATEMENT

<i>SUBJECT</i>	<i>POLICY NO.</i>	<i>ADOPTED</i>	<i>PAGE</i>
Revenues collected in excess of revised budget.	2015-001	DRAFT	1 of 1

PURPOSE

The purpose of this policy is to establish rules governing the use of revenues collected in excess of revised budget amounts in any given fiscal year.

POLICY AND PROCEDURE

The City shall exercise sound, conservative principles and other recognized best practices when estimating revenues to be collected in any given fiscal year. It is recognized that the use of these principles have historically resulted in the collection of revenues in excess of budgeted amounts, and may continue to do so in the future. For any given fiscal year, it shall be the policy of the City Council of the City of Abilene, Texas that the City shall collect and expense revenue in excess of amounts needed to balance expenditures as follows:

A. Revenues to be set aside at annual audit

1. The annual audit shall identify revenue in excess of revised budget amounts.
2. Identified revenues shall be set aside for Council’s consideration and expended in accordance with an adopted funding program.

B. Funds to be spent in accordance with an adopted funding program

1. The City Council shall adopt a funding priority list as part of the annual budget process for the upcoming fiscal year. The funding program shall consider unfunded budget requests, additional resources for recurring operating expenses, one-time capital expenditures, dedication of resources for capital replacement funds or other internal service funds.
2. The City Manager shall inform the City Council of the auditor’s findings and present a recommended funding program based on Council’s adopted funding priority list within 30 days of receiving the final audit. The City Manager may recommend a program that differs from the adopted Council funding priority list if, in the opinion of the City Manager, a business necessity exists.
3. The City Council may authorize the City Manager to expend revenue in excess of revised budget amounts, and in accordance with the City Manager’s recommended funding program as amended and adopted by the City Council.

C. Reserve requirement obligations

1. Nothing in this policy supersedes the City’s obligation to maintain reserve requirements at their adopted levels.

City of Abilene
City Council

FY 2016 Funding Priority List
as adopted <INSERT DATE>

1. 50% of identified funds to be set aside for street maintenance and street maintenance related expenditures.
2. 50% of identified funds to be set aside for the Fire Apparatus Replacement Fund.