



AGENDA MEMO
11/20/2018 Agenda

TO: Honorable Mayor and City Council
FROM: Thomas W. Tvardzik, Director of Finance
SUBJECT: Ordinance amending FY2019 budget to carry forward FY2018 encumbrances

BACKGROUND:

Each year City staff proposes a budget amendment to bring forward funds encumbered at the end of the prior fiscal year. Encumbrances are commitments to purchase specific goods or services, generally evidenced by an open and approved purchase order. They are budgeted, authorized transactions that have not concluded by year-end. Approval of these FY2018 encumbrances (open purchase orders) moves the corresponding budget amount from FY2018 to FY2019, thereby making the funds available for expenditure in the current fiscal year.

Impact on the FY2019 budget

As noted above, the proposed budget amendment will increase FY2019 authorized expenditures. The specific amounts per account, department and vendor are displayed in Exhibit "A" of the attached ordinance. The overall impact on the FY2019 budget is shown in the table below:

Fund	Adopted Budget	Encumbrances	Amended Budget
General	\$33,133,450	\$248,846	\$33,382,296
Utility	\$16,270,074	\$101,920	\$16,371,994
Sanitation	\$3,195,825	\$2,729	\$3,198,554
Storm Water	\$500,026	\$79,766	\$579,792
	<u>\$53,099,375</u>	<u>\$433,261</u>	<u>\$53,532,636</u>

Please note that the encumbrances related to Capital Projects (Funds 42 and 44) or the Equipment Services Fund are not presented in the totals above, as these funds are not part of the legally adopted budget. The encumbrance amounts for Fund 42, Fund 44 and the ESF are \$300,604, \$2,218,431 and \$7,700 respectively.

Impact on FY2018 financial position

Shifting expenditures from FY2018 to FY2019 will increase FY2018 fund balances and working capital. This is because fund balance is impacted when funds are actually received, expended or transferred. Over the course of a two year period, the net effect on fund balance resulting from an encumbrance adjustment will be zero.

RECOMMENDATION:

The encumbrance carry-forward is presented to the Council each year as a routine item. City staff recommends approval of the attached ordinance.

ATTACHMENTS:

FY2019 Budget Amendment No. 1 by Fund and Department
Ordinance amending FY2019 Budget