



## Request for City Council Committee Action from the Department of Finance and Property Services

**Date:** December 3, 2013

**To:** Council Member Betsy Hodges, Chair, Ways and Means Budget Committee

**Referral to:** None

**Subject:** Allocation of 2013 General Fund Budget Contingency

**Recommendation:**

**Amend the 2013 appropriation resolution to allocate the 2013 Operating Budget Contingency to several operating departments to facilitate paying off a portion of existing internal loan for the City's Compass and Time & Labor financial and payroll systems and adjust departmental budgets for expenditure overages due to under-forecasting of internal service fund charges for fleet maintenance.**

**Previous Directives:** None

### Department Information

Prepared by:	Sandy Christensen, Deputy Finance Officer
Approved by:	Kevin Carpenter, Chief Financial Officer Paul Aasen, City Coordinator
Presenters in Committee:	Sandy Christensen, Deputy Finance Officer

**Reviews** N/A

**Financial Impact** *(delete all lines not applicable to your request)*

Action requires use of contingency or reserves

Request provided to the Finance Department

Other financial impact

**Community Impact** N/A

**Supporting Information:**

The 2013 Council Adopted Budget for the City's General Fund includes a budgeted contingency of \$3.9 million to be used in the event of material unforeseen expenditures beyond departmental budgets and/or revenues significantly under forecast. As of the end of

2013 gf contingencyallocation

the third quarter, we are projecting that the General Fund will produce an overall surplus to budget of \$18.2 million. This surplus results from both revenues exceeding forecast as well as under-expenditures in a number of departments, including the budget contingency. On an individual department level, several are projecting expenditure budget deficits due to operational costs being higher than anticipated. For the Minneapolis Police Department (MPD) and the Minneapolis Fire Department (MFD), overall departmental expenditures are exceeding budget, relating in large part to fleet maintenance costs which are causing deficits of approximately \$390,000 and \$200,000, respectively. Recent changes in methodology relating to funding internal rate models make these deficits appropriate to be funded from the General Fund contingency. Staff recommends allocating \$400,000 and \$205,000 from contingency to increase the appropriations in MPD and MFD, respectively.

In addition to the deficits resulting from internal service charges, the City Coordinator's Office was requested to provide resources for several items during 2013 that did not have a clear indication departmental responsibility. For 2013, the City Coordinator Administration's department is projecting an expenditure deficit of approximately \$550,000 due to costs associated with events such as Holidazzle, a public utility service study and SIT training for City Council members. By allocating \$400,000 of contingency funds to the City Coordinator's Office, the department is able to maintain in overall positive expenditure balance for 2013.

Once the above departmental deficits are addressed, the 2013 General Fund contingency will have a remaining balance of \$2.8 million. Staff recommends utilizing this remaining non-allocated appropriation authority to pay-off existing obligations associated with the City's financial and time-keeping systems. An upgrade for these systems is anticipated for 2014 and payment for the existing system should occur before implementation of the upgrade. The current balance owed via inter-fund transfer to the City's BIS internal service fund is \$2,685,000. This payoff may be accomplished by allocating a portion of the remaining 2013 contingency to the Finance and Property Services Department for final payment which has, in the past, utilized annual budgetary savings to make incremental payments. The payoff of the inter-fund obligation was contemplated in the Mayor's 2014 Recommended Budget with a reduction in general operating appropriation for the Finance and Property Services Department of \$200,000.

The recommended allocations of 2013 General Fund contingency corrects expenditure deficits in departments caused by internal service charges (with the alternative of deficits in the internal service funds) and payment of other short- and long-term obligations while retaining approximately \$130,000 in un-utilized contingency. This action will not impact the expectation of the City's revenue forecast and net departmental expenditures savings in the General Fund to maintain above the 2012 year-end balance and well above the City's reserve policy.