

To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager
Date: February 8, 2018
Initiated Angel L. Mumma, Director of Finance
By: David Gaines, Deputy Director of Finance
Melody Kennedy, Budget Manager
Re: Ordinance No. 02-18(Amended) – Amending the Annual Appropriations for Fiscal Year Ending December 31, 2018

Background

Ordinance No. 02-18 amends the annual appropriations for the fiscal year ending December 31, 2018 in the General Fund and in various other funds to provide sufficient funding in certain budget accounts.

During first reading of the Ordinance, Council inquired about four different topics, each of which are addressed in this memo.

Reforestation Funds

Councilman Reiner inquired whether the reforestation money that was appropriated would be used for the restoration of buffers along roadways such as Emerald Parkway and Avery/Muirfield Road, as discussed with the Community Development Committee. Staff expect to utilize reforestation funds for the Emerald Parkway project. However, given that the trees needing replaced as part of the Avery/Muirfield project are on private property, utilization of the these funds for this project is inappropriate, as code specifically states that the funds are to be used for reforestation on public property. Furthermore, the usage of public funds for improvements on private property, regardless of the funding source, requires additional discussion and consideration of legal requirements/ramifications.

Timing of Next Bond Issue (M. Keenan)

The Director of Finance is working with the City's municipal advisor to determine the appropriate timing for the City's next bond issue. The appropriation for the downtown Dublin parking garage and associated roadway improvements and landscape enhancements (GMP contract with Turner Construction Company, Inc. authorized by Resolution 04-18) is the largest component of the anticipated 2018 bond issue and is currently being funded through an advance from the City's General Fund. In the upcoming weeks, timing of the other projects expected to be financed with bond proceeds will be analyzed to determine whether a bond issue should be postponed until later in 2018 or early in 2019 (to incorporate 2019 projects) or if steps should be taken to issue debt in mid-2018. Since January 1, 2018, the AAA tax-exempt market has increased 38 basis points (0.38%). Staff is cognizant of the changing interest rate environment and is taking that into consideration along with the other factors noted above to determine the appropriate timing.

The appearance of 'Duplicate' appropriations contained within the Ordinance

When Staff is proposing the transfer of money from one fund to another, the transaction oftentimes requires what appears to be a duplicate appropriation. This occurs because the receipt of revenue within a particular fund and/or account doesn't necessarily result in an authority to spend (an appropriation).

In the case of Ordinance 02-18, there were three instances where this occurred – \$4 million for the purchase of the property located at 5555 Perimeter Drive; \$18.0 million for the cost of the GMP contract with Turner Construction Company, Inc. (Turner) for the Downtown Dublin parking garage and associated roadway improvements and landscaping enhancements south of the Grounds of Remembrance; and \$605,200 for costs related to the North High Street widening project, which were additions to the previously approved contract.

The following example is related to the \$18.0 million contract with Turner.

In order to facilitate the financing of this project, the following steps had to be taken:

1. Funds had to be appropriated to the 'Advance' expense account within the General Fund. *This appropriation was reflected in Section 1 of the Ordinance.*
2. Once the funds are appropriated, Finance will expense \$18.0 million from the 'Advance' expense account within the General Fund and receipt the funds into the Capital Construction Fund in a revenue account titled 'Advance Revenue'. *The receipt of revenue does not require Council action. Therefore, there is nothing reflected in this Ordinance for this step.*
3. Once the \$18.0 million in funds from the General Fund have been receipted into the Capital Construction Fund, they must be appropriated so they can be spent. *This appropriation was reflected in Section 3 of the Ordinance.*

From the explanation above, as you can see, it appears that the same funds are being appropriated twice and indeed they are in that they are appropriated within the General Fund so they can be expensed (through an advance) to the Capital Construction Fund; and once receipted by the Capital Construction Fund, they are appropriated from that fund balance so they can be expensed to pay the costs associated with the contract. The authority to appropriate funds rests with City Council; it does not automatically occur when funds are receipted.

While it may seem complicated, Staff's goal is to ensure that projects are funded from the proper Fund, which is why occasionally these types of appropriations are required. The Capital Construction Fund is specifically established for projects that are funded with bond proceeds. By incurring all expenses on debt-financed projects in this Fund, it makes it much easier to track bond proceeds and their usage.

The same explanation holds true for the other two projects.

General Fund Transfer to the Capital Improvement Tax Fund

In accordance with the City's General Fund Balance Policy, Ordinance 02-18, Staff requested an appropriation in the amount of \$1,938,050 from the General Fund to transfer to the Capital Improvements Tax Fund. This amount represents 25% of the portion of the General Fund Balance in excess of 75% as of December 31, 2017.

Vice-Mayor Amorose Groomes inquired about what, if any, projects these funds were earmarked for.

As part of the Capital Improvement Program (CIP), the resources are identified to fund the projects that are approved as part of the annual five-year CIP. During the preparation of the CIP, Staff estimate an amount that will be available from the General Fund to transfer into the Capital Improvement Tax Fund (based on a preliminary estimate of the General Fund balance at year-end). That amount, along with the income tax revenue dedicated to the Capital Improvement Tax Fund (both the 40% that is set aside to cash fund project and the balance of the 60% allocated for debt service that is not used), property tax revenue, interest earnings and revenue from the repayment of advances from other funds, become the total resources available to spend during the five-year period. Projects that do not have other funding, such as TIF revenue, are then deducted from these resources available. Staff's goal is to propose a five-year CIP that results in total resources exceeding the proposed projects for each of the five-years covered.

In the 2018-2022 CIP, Staff presented a five-year CIP that included \$1 million in the first year (2018) as a transfer from the General Fund into the Capital Improvement Tax Fund, per the General Fund Balance Policy (see Exhibit A). For conservative planning purposes, Staff did not plan on any additional funds being available for transfer in future years. However, this amount then became part of the total resources available to fund the proposed projects that did not have any other funding.

With the projects proposed and approved within the 2018-2022 CIP, at the end of year five, there was an excess of \$108,502 available; meaning the resources were sufficient to cover all the projects approved leaving a balance of \$108,502 (see Exhibit B)

Exhibit A



2018 – 2022 Proposed CIP

Proposed Project Funding Summary

	2018	2019	2020	2021	2022
Total Resources Available¹	\$24,132,345	\$22,648,087	\$21,393,663	\$19,384,641	\$18,673,502
	↓	↓	↓	↓	↓
Beginning Capital Improvement Fund Balance	\$2,500,000	\$3,857,345	\$2,598,087	\$2,163,663	\$1,159,641
Income Tax – 40% allocation	8,600,000	8,729,000	8,860,000	8,992,900	9,130,000
Debt allocation not committed	6,341,445	5,133,242	5,063,576	3,054,578	3,325,361
Property Tax revenue	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Transfer from General Fund (per policy)	1,000,000	-	-	-	-
Interest Earnings	150,000	150,000	150,000	150,000	150,000
Repayment of Advances	2,420,900	1,658,500	1,602,000	1,903,500	1,788,500
Total Resources Available¹	\$24,132,345	\$22,648,087	\$21,393,663	\$19,384,641	\$18,673,502

¹ Excluding other sources such as TIF, Water and Sewer Revenues, and proceeds from debt



Exhibit B



2018 – 2022 Proposed CIP

Proposed Project Funding Summary

	2018	2019	2020	2021	2022
Total Resources Available¹	\$24,132,345	\$22,648,087	\$21,393,663	\$19,384,641	\$18,673,502
Total Proposed Project Requests	\$45,705,000	\$54,390,000	\$42,515,000	\$30,880,000	\$24,280,000
Total Proposed Project Requests (Not funded through other Sources)	\$20,275,000	\$20,050,000	\$19,230,000	\$18,225,000	\$18,565,000
Balance of Resources Available (available the following year as a resource)	\$3,857,345	\$2,598,087	\$2,163,663	\$1,159,641	\$108,502

¹ Excluding other sources such as TIF, Water and Sewer Revenues, and proceeds from debt



Therefore, the amount transferred from the General Fund to the Capital Improvement Tax Fund is 'earmarked' for those projects approved as part of the 2018-2022 CIP. In this particular case, because of our conservative planning, the amount of the transfer is \$938,050 more than what was planned in the CIP. The result of this, if everything else were to stay constant is that at the end of the five years, instead of having excess of \$108,502, the City would have an excess of \$1,046,552.

It's important to note that based on our level of capital expenditures, a variance of this amount is not a substantial amount. As Council is aware, the CIP is an ever-evolving plan. Project timing changes, costs change and new projects may be introduced taking a priority over projects currently programmed during the five-year period. It is important that at any given point, particularly in the current year (2018), there are sufficient resources available to accommodate changes that may occur.

Finally, Vice-Mayor Amorose Groomes commented on this transfer in terms of investment in the Parkland Acquisition Fund. The approved General Fund Balance Policy specifies that the annual transfer (should the General Fund balance be at a level that requires a transfer) will be to the Capital Improvement Tax Fund. However, as a result of discussions with City Council at the time the General Fund Balance Policy was contemplated, language was added that provides Council discretion to deviate from the requirements of the policy. This was primarily done to allow the transfer from the General Fund to occur to a fund other than the Capital Improvement Tax Fund, should the majority of City Council choose to do so.

During the 2018-2022 CIP, Staff did not recommend any additional funding for the Parkland Acquisition Fund other than what it receives from property taxes. Each September, City Council determines the allocation of the inside millage (1.75 mills). Since 2009, City Council has approved allocating .35 mills to the Parkland Acquisition Fund and 1.40 mills to the Capital Improvements Tax Fund. Based on estimates provided by Franklin County, the amount anticipated to be received in the Parkland Acquisition Fund in 2018 is approximately \$726,000, while \$2.9 million will be received in the Capital Improvement Tax Fund. It has been and continues to be Staff's recommendation that this allocation continue as it offers flexibility in terms of capital planning. Funds within the Capital Improvement Tax Fund can be spent on parks and parkland acquisition in addition to many other purposes. However, funds within the Parkland Acquisition Fund must be spent on parkland acquisition. Once funds are deposited into that fund, they cannot be used for any other purpose. Additionally, should City Council change the allocation at some point in the future, it will result in less resources available to fund those capital projects that do not have other funding sources. To the extent that funds are reduced, projects will need to be reduced in the same amount to ensure that project funding does not exceed the resources available.

Correction

Section 1 of Ordinance No. 02-18 has been modified from the first reading to appropriate from the unappropriated balance in the General Fund the amount of \$24,197,573. The amount originally reflected was \$24,297,573.

Recommendation

Staff recommends that City Council approve Ordinance 02-18(Amended), amending the Annual Appropriations for the Fiscal Year Ending December 31, 2018, at the February 12, 2018 meeting.

To: Members of Dublin City Council

From: Dana L. McDaniel, City Manager 

Date: January 18, 2018

Initiated Angel L. Mumma, Director of Finance

By: David Gaines, Deputy Director of Finance
Melody Kennedy, Budget Manager

Re: Ordinance No. 02-18 – Amending the Annual Appropriations for Fiscal Year Ending December 31, 2018

Background

Ordinance No. 02-18 amends the annual appropriations for the fiscal year ending December 31, 2018 in the General Fund and in various other funds to provide sufficient funding in certain budget accounts.

Section 1 requests a total of \$24,297,573 in funding authorization in the General Fund. Of that amount, \$259,523 in funding is requested for reforestation expenditures. Annually, the reforestation account is reviewed, and funds not spent from the previous year's collections are rolled forward and appropriated. These funds are generated from the City's ordinance requiring payments in lieu of tree replacement from developers, and will be used to plant trees on public City property. During 2017, the City received \$104,300 in receipts from tree replacement fees.

Additionally, \$22,100,000 is being requested to proceed with three capital projects. Of this amount, \$4,000,000 is for the purchase of the building located at 5555 Perimeter Drive from Delta Holdings, LLC (Ordinance 01-18). The Robert J. Weiler Company has completed an appraisal to validate the purchase price of the property as \$4,000,000. An appropriation is necessary to transfer those funds from the General Fund to the Capital Improvements Tax Fund. In turn, the Capital Improvements Tax Fund will also need the authority to expend \$4,000,000 for the acquisition (see Section 2 of this Ordinance).

The remaining \$18,000,000 is for the Guaranteed Maximum Price (GMP) contract with Turner Construction Company, Inc., for construction of the Downtown Dublin parking garage and associated roadway improvements and the landscaping enhancements located just south of the Grounds of Remembrance all of which are being constructed with the redevelopment of the Dublin branch of the Columbus Metropolitan Library (see Resolution 04-18). An additional \$300,000 has been included above the GMP contract amount for a City contingency for unforeseen expenses that may occur outside the scope of the Turner contract. This contingency will be managed by the City and will not be spent unless necessary. As indicated in the City's approved Capital Improvement Program, funding for these projects (garage and roadways) is expected to come from the issuance of long-term bonds. Staff will include this amount as part of the next bond issue (date to be determined), at which point the advance from the General Fund will be repaid. Similar to the property acquisition noted above, the Capital Construction Fund will also need the authority to expend the \$18,100,000 for the GMP contract and contingency (see Section 3 of this Ordinance).

Finally, City Council adopted a General Fund Balance Policy (Policy) that stipulates that at the end of each fiscal year, to the extent that the General Fund Balance exceeds 75% of the actual expenditures for the year, the Director of Finance will transfer 25% of the amount in excess of 75% to the Capital Improvements Tax Fund. The General Fund Balance as of December 31, 2017 was \$60,125,537, or 86.1% of General Fund operating expenditures. In accordance with the Policy, \$1,938,050 will be appropriated in the General Fund to transfer to the Capital Improvements Tax Fund (Ordinance 32-16).

Initiating Department: Department of Parks & Recreation, Office of the City Manager, Department of Finance (section 1)

Section 2 requests \$4,000,000 for the acquisition of the property located at 5555 Perimeter Drive from Delta Energy Holdings, LLC (Ordinance 01-18). On December 4, 2017, Dublin City Council passed Resolution No. 87-17 approving a Letter of Intent outlining the terms for the purchase of 5555 Perimeter Drive by the City for municipal purposes. Once the closing is complete, there may be other expenses that arise during the year that will be addressed in future supplemental appropriation requests. These may include monthly utility costs for the building, real estate taxes and other charges that are not yet known. However, all attempts will be made to absorb any such operating costs into the current 2018 approved operating budget.

Additionally, staff is requesting \$605,200 for additional costs, including utility relocation, related to the North High Street widening project. These funds will be advanced from the Capital Improvements Tax Fund to the Capital Construction Fund, the fund in which this debt financed project is paid. In turn, the Capital Construction Fund will also need the authority to expend \$605,200 for the acquisition (see Section 3 of this Ordinance).

Initiating Department: Office of the City Manager, Department of Public Works (section 2)

Section 3 requests \$18,605,200 within the Capital Construction Fund. Of this amount, \$605,200 for additional costs associated with the North High Street widening project (see Section 2) and \$18,000,000 is to provide funding for the construction of the Downtown Dublin parking garage, roadway improvements, and landscaping enhancements in conjunction with the redevelopment of the Dublin branch of the Columbus Metropolitan Library (see Section 1).

Section 4 requests funding for miscellaneous permitting, such as the permitting required by the Ohio Environmental Protection Agency (OEPA) for the Tuttle Crossing Boulevard Extension, phase 2 project for preliminary engineering to extend Tuttle Crossing Blvd. from Cosgray Road to Avery Road.

Initiating Department: Department of Public Works (sections 3 and 4)

Recommendation

Staff recommends that City Council approve Ordinance 02-18, amending the Annual Appropriations for the Fiscal Year Ending December 31, 2018, at the February 12, 2018 meeting.

RECORD OF ORDINANCES

Ordinance No. 02-18(Amended) Passed _____, 20____

AN ORDINANCE AMENDING THE ANNUAL APPROPRIATIONS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018

WHEREAS, the Ohio Revised Code requires, when necessary, amendments to the annual appropriations ordinance be made in order that appropriations are not over expended; and

WHEREAS, it is necessary to amend the annual appropriations ordinance to provide funding in certain budget accounts; and

WHEREAS, at the beginning of each year, it is necessary to appropriate unencumbered balances in various funds to authorize those funds for debt payments, project-related expenditures and other miscellaneous expenses; and

WHEREAS, if any funding is appropriated herein to provide for transfers or advances for debt service, the debt transfer is also authorized as a part of this ordinance.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ of the elected members concurring, that:

Section 1. There be appropriated from the unappropriated balance in the General Fund the amount of \$24,197,573 as follows:

<u>Parks Operations</u>		
10140430-722001	Reforestation	\$ 259,523
<u>Transfer</u>		
10196290-741401	Transfers	\$ 5,938,050
<u>Advance</u>		
10197290-742404	Advance to Capital Construction Fund	\$18,000,000

Section 2. There be appropriated from the unappropriated balance in the Capital Improvements Tax Fund the amount of \$4,605,200. Of that amount, \$4,000,000 is to be appropriated to account 40180290-735001 for the acquisition of the property located at 5555 Perimeter Drive from Delta Energy Holdings, LLC (Ordinance 01-18) and \$605,200 is to be appropriated to account 40196290-741000 for costs associated with the North High Street widening project.

Section 3. There be appropriated from the unappropriated balance of the Capital Improvements Construction Fund the amount of \$18,605,200 to account 40480320-735004 for the CML Parking Garage project (ET16K)(\$18,000,000), and the North High Street Widening project (ET17D)(\$605,200).

Section 4. There be appropriated from the unappropriated balance of the Rings/Frantz TIF Fund the amount of \$5,000 to account 43380320-713004 for other professional services related to the Tuttle Crossing Extension, phase 2 project (ET161).

Section 5. This ordinance shall take effect and be in force in accordance with Section 4.04(a) of the Dublin Revised Charter.

Passed this _____ day of _____, 2018.

Mayor – Presiding Officer

ATTEST:

Clerk of Council