



STAFF REPORT

DATE: January 11, 2023

TO: The Honorable Mayor and City Council

FROM: Kyle Maurer

SUBJECT: Consideration and approval of amendments to the Herriman City Fiscal Year 2023 Budget

RECOMMENDATION:

Staff recommends approval of the proposed budget amendments.

ISSUE BEFORE COUNCIL:

Should the City Council approve the proposed amendments?

BACKGROUND/SUMMARY:

Good budgetary and accounting practices require periodic amendments to the City's adopted fiscal year budget. A number of budget amendments are being requested to ensure departments are staying within their allotted budgets and to ensure transactions are being accounted for correctly in the financial system.

The proposed budget amendments were discussed during the January 11, 2023 City Council meeting.

DISCUSSION:

A number of budget amendments are being proposed. While there are a number of reasons for the amendments, the majority of amendments deal with budget carryovers from the prior fiscal year. In addition, a thorough analysis of the Police Department's budget has been performed. Below is a summary of the budget amendments (by fund):

General Fund

Overall General Fund revenues and expenditures are proposed to increase by \$1,762,257. Of this amount, \$1,613,528 is due to budget carryovers from fiscal year 2022. One notable proposed amendment is for property tax revenue. When the City lowered its property tax rate in August 2022 (with a corresponding increase to the Fire Safety Area tax rate), the Salt Lake County

Treasurer's Office subsequently recalculated property tax due to the City and the Fire Safety Area from January to September 2022. Because the City was using general property tax to fund the Fire Safety Area prior to setting a dedicated property tax rate, the Fire Service Area needs to reimburse the General Fund for property taxes collected January-September. There is a corresponding reduction in estimated property tax revenue for the General Fund (in other words, a net zero effect). Another notable proposed budget amendment is a transfer from the Hi Country II Fund to the General Fund. Due to a clerical error, the Parks Department had erroneously paying for the water consumed by Hi Country II. The amounts paid for by the Parks Department total \$163,235.

In 2019 the City entered into a settlement agreement with a number of property owners related to land needed for the City's automall. This agreement requires payment of sales tax generated on the property. A transfer is being proposed from the General Fund to the Herriman North CRA Fund to fulfill the first year of this settlement.

General Fund – Police

City Administration, Finance, and the Police Department have begun examining the Police Department's funding sources, expenditures, and fiscal sustainability. The first step of this process involves the fiscal year 2023 budget. A number of revenue adjustments are being requested to align projected revenues with the budget. In addition, on the expenditure side, the Axon taser contract was erroneously left out of the approved fiscal year 2023 budget. It is proposed to add this contract to the budget (increasing expenditures by \$213,000). Adjustments are also needed for fuel (\$22,000) and dispatch (\$14,000) costs. The dispatch increase is a onetime cost due to a VECC settlement. Police vehicles are another area where an adjustment is needed. The City ordered 6 vehicles slated for purchase in 2024 in 2023 (\$455,000). The Police Department moved one vehicle replacement from the Police Department to Animal Services. Since Animal Services is funded by the General Fund (and not the HCSEA), a transfer from the General Fund is needed to fund the already ordered Animal Services vehicle.

General Fund – ARPA

Budget amendments are proposed to fund ARPA projects outlined in the City's Capital Improvement Plan and for projects that have outstanding contracts. As previously discussed with the City Council, these projects are for storm drain improvements.

Parks Impact Fee Fund

All of the proposed amendments carry over projects budgeted in fiscal year 2022 to fiscal year 2023. In addition, an additional \$1,000 is needed to complete the design of Mountain Ridge Park, and County TRCC Funds were budgeted in the Park Impact Fee Fund, but were not correctly allocated to the Juniper Canyon Recreation Area project. The City also received a \$150,000 grant from the state of Utah and \$24,613 from the Jordan Valley Water Conservancy District for the Juniper Canyon Recreation Area.

Road Impact Fee Fund

The majority of amendments pertain to budget carryovers from the prior fiscal year. Staff are also proposing eliminating the transfer out to the Debt Service Fund. Analysis shows the City has transferred more than is needed for the impact fee eligible portion of the debt service payments.

In addition, an additional \$95,000 of funding is being requested to fulfill the Rose Canyon Road widening reimbursement.

Debt Service Fund

As mentioned under the Road Impact Fee Fund discussion, staff is proposing eliminating the \$1,000,000 transfer from the Road Impact Fee Fund and use previously transferred road impact fee funds for impact fee eligible debt service fund. In addition, an analysis shows the fund has \$1,000,000 in unrestricted fund balance, which is proposed to be transferred out to the Capital Projects fund for the Herriman Boulevard reimbursement agreement.

Capital Projects Fund

The majority of proposed amendments are carrying over projects budgeted in fiscal year 2022 to fiscal year 2023. In addition, the City spent \$2,091,681 to purchase land which will be reimbursed by Corridor Preservation Funds from Salt Lake County. A \$52,000 budget amendment is proposed for the purchase of land from UDOT at Miller Crossing and Mountain View Corridor. The funds for this purchase would come from Capital Projects fund balance. The City also received a grant from Jordan Valley Water Conservancy District for the Main Street Landscaping project. A sewer district reimbursement (revenue) is being proposed for the Hidden Oaks Backbone project.

Due to a bond forfeiture, \$99,056 is proposed to be transferred from the General Fund to cover work not performed by the developer (this amount will remain in restricted fund balance until fully spent). In addition, a transfer of \$1,000,000 from the Debt Service Fund is being proposed to fulfill the Herriman Boulevard reimbursement agreement (6800 West to 7300 West). A transfer of \$10,485,370 from the Water Impact Fee Fund is also proposed to alleviate the deficit fund balance issue noted by the City's external auditors. The interfund loan is expected to be paid by 2025.

Capital Projects – City Hall Fund

\$100,000 is proposed to be transferred from fund balance for projects related to City Hall.

Water Fund

A number of budget amendments are being proposed for the Water Fund. Previously, bond principal payments were not budgeted for (payments were directly offset against the bond liability). While this process is acceptable for Generally Accepted Accounting Principles, it does not formally adopt the payments through the budget process. A total of \$242,219 in projects is proposed to be carried over. In addition, \$525,000 is proposed to be budgeted to fulfill an agreement for the Hidden Oaks Backbone project, \$20,000 for increased vehicle costs, and \$55,000 to purchase vehicles budgeted in fiscal year 2024.

Water Rights Impact Fee Fund

A transfer of \$10,485,370 is proposed to the Capital Projects Fund to alleviate the deficit fund balance incurred as a result of the interfund loan with the Capital Projects Fund. This transfer will be repaid when the interfund loan is paid back by 2025.

Water Impact Fee Fund

\$769,951 in projects from fiscal year 2022 are proposed to be carried over. In addition, \$3.6 million for the Zone 2 & 3 Water Improvements project is proposed to be budgeted. While the majority of the funding will come from the bond issued in fiscal year 2022, obligating the funds through a budget amendment will allow use of the funds if needed to complete the project. Once the project is bid and awarded (and a final budget can be set), funds will either be obligated, de-obligated, or transferred to the Water Fund to cover a portion of the bond debt service payments.

Storm Water Fund

The Storm Water Fund has two proposed amendments – The first one covers vehicle cost increases (\$22,075), and the second is funding to fulfill a previously executed agreement with Ivory Homes (\$556,485). Note fulfillment of the agreement will cause the Storm Water Fund to enter a negative fund balance.

ALTERNATIVES:

The City Council may choose to not adopt any of the proposed amendments, some of the amendments, or all of the amendments.

FISCAL IMPACT:

Fiscal impact of each funds is outlined in the detail budget amendment sheets attached.

ATTACHMENTS:

Proposed FY2023 Budget Amendments Resolution