

MEMORANDUM

TO: Claire Powell, City Manager

THROUGH: David Erb, Director of Finance

FROM: Earl Whitaker, Purchasing Manager

DATE: December 16, 2024

SUBJECT: **Approval of a Supplemental Appropriation for Prior Year Encumbrances in the Following Amounts: General Fund - \$750,614; Hotel/Motel Tax Fund - \$41,071; Recreation Activity Fund - \$36,840; PEG Programming Fund - \$73,335; Court Technology Fund - \$166 Asset Forfeiture Department of Justice Fund - \$3,535; Josey Lane PID Fund – \$3,895; Community Activities Fund - \$18,870; Grant Fund - \$169,700; CDBG Grant Fund – \$289,601; Crime Control and Prevention District Fund - \$202,022; Fire Control and Prevention District Fund - \$57,140; Utility Fund - \$880,829; Stormwater Utility Fund - \$19,428; Maintenance and Replacement Fund - \$915,723; Self-Insurance Risk Fund - \$7,243; Health Benefit Trust Fund - \$18,079; Tax Increment Reinvestment Zone 1 - \$9,813; Tax Increment Reinvestment Zone 2 - \$10,000; Tax Increment Reinvestment Zone 3 – \$371; Tax Increment Reinvestment Zone 4 - \$16,582; LPLDC (4B) Fund - \$82,432; And Approval of Supplemental Appropriations to Properly Fund Donation Project and the Annual Hotel/Motel Tax Fund Transfer: Fire and Police Training Fund - \$77,487; Community Activities Fund - \$6,222; Recreation Activity Fund - \$10,598; Hotel/Motel Tax Fund - \$39,587**

BACKGROUND

Each year a recommendation is made to supplementally appropriate funds for open purchase orders from the prior year. Open purchase orders are defined as those purchase orders that have been issued, but not all the ordered goods or services have been received.

In addition, supplemental appropriations are required to budget donations that exceed previously projected estimates and to complete the annual 15% of Hotel/Motel Fund revenue that is transferred for public art. The annual Hotel/Motel Tax Fund transfer for fiscal year 2024 requires appropriation.

ANALYSIS

Purchase orders that have been issued during a fiscal year, but in which the goods or services have not been received in-hand or performed, may not, in conformance with generally accepted accounting principles, be expensed until received or performed. At year end, these items represent amounts that are shown in the financial statements as restrictions to fund balance or net assets in the various funds of the City.

As a result, when the items or services are received in the current fiscal year, they are charged to the current year budget. Unless the current fiscal year appropriations are amended to provide for these charges, funds in the affected line-item accounts will be short at year-end or expenditures would need to be reduced to offset the prior year purchase.

Subsequent to the close of the 2024 fiscal year, outstanding purchase orders from said fiscal year are extensively reviewed. If the order has been received or is expected to be received by the end of the current 2025 fiscal year, then recommendation is made that the funds be appropriated as an addition to the current budget year.

This year's listing of purchase orders open at the end of Fiscal Year 2024 is detailed on the attached spreadsheet.

At the end of the fiscal year, an analysis is also conducted to ensure that all donations were budgeted. If donations were received in excess of the amount budgeted, a supplemental appropriation is needed to move the donations into a donation project for departmental use. This year, additional donations were received for the Animal Shelter, Police Department, Fire Department, Parks and Recreation Department, and Library. These donations can be respectively used for animal shelter operations, shooting range and fire training facility at the Jerry R. Galler Public Safety Training Center, memorial bench program, and library operations.

Another end of year analysis that is conducted by staff determines the applicable amount of funds in the Hotel/Motel Tax Fund that can be transferred to the Public Art capital project. Up to fifteen percent of hotel/motel tax revenue received (minus marketing, electricity costs, and contract costs for the Lewisville Grand Theater) may be allocated to this project. Funds available under the cap at year end will be transferred to the Public Art capital project for departmental use. The FY 2024 cap is \$154,587. \$115,000 of this amount was covered by year-end savings, so only \$39,587 is needed for this year's supplemental appropriation.

CITY STAFF'S RECOMMENDATION

That the City Council approve the supplemental appropriations as set forth in the caption above.