

AN ORDINANCE TO AMEND THE CITY OF DUNWOODY 2009 BUDGET

WHEREAS, The City of Dunwoody Budget for Fiscal Year 2009 was adopted by Mayor and Council by Ordinance 2009-01-04 on January 6, 2009; and

WHEREAS, That it is deemed by the Mayor and City Council in the best interests of the City of Dunwoody to amend said Budget as set forth on the attachment, attached hereto and incorporated herein; and

WHEREAS, The Fiscal Year 2009 Budget Amendment and the Budget Message pursuant to Section 5.03(a) of the City Charter have been filed in the office of the City Manager and open for public inspection.

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and City Council for the City of Dunwoody, that the following amendments to the Fiscal Year 2009 City of Dunwoody Budget, as attached hereto and incorporated herein, are hereby adopted and approved.

BE IT FURTHER ORDAINED that the City Manager or his designee may promulgate all necessary internal rules, regulations and policies to ensure compliance with the Fiscal Year 2009 City of Dunwoody Budget, as amended pursuant to this Ordinance.

SO ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF DUNWOODY, GEORGIA this the 9th day of March, 2009.

Approved:

Ken Wright, Mayor

Attest:

Sharon Lowery, City Clerk
Seal

Approved as to Form and Content:

Brian Anderson, City Attorney



CITY OF DUNWOODY

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MEMORANDUM

To: Honorable Mayor and City Council
From: Lisa Ferguson, Accounting Manager
CC: Warren Hutmacher, City Manager
Date: March 9, 2009
Item: Debt Service Reserve

Background:

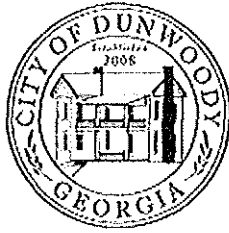
The 2009 adopted budget contains \$650,000 which was intended to make the first years' payment on the master lease. Since the lease agreement was signed in January, the first payment is not due in FY09 but has been pushed back into January of FY2010. Therefore, the City Council has asked that we present a method of setting aside these funds so that they will be available to make this payment without having to impact next year's available revenue stream.

Discussion:

Option 1: Establish a Debt Service Reserve account within a Debt Service Fund.

In governmental accounting, a Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest except that payable from proprietary, fiduciary, or special assessment funds. A Debt Service Reserve is defined as cash reserves set aside by a borrower, either by internal policy or lender covenant, to repay debt in the event that cash generated by operations is insufficient. In this scenario, the Debt Service Reserve will be a balance sheet account within the City's Debt Service Fund. A Debt Service Reserve can only be used to repay debt service.

Designating a Reserve for Debt Service in the Debt Service Fund will allow us to set aside a given amount of the remaining fund balance in the General Fund. This reserve balance can then be appropriately budgeted for Debt Service in FY2010. Debt service expenditures can only be budgeted to the extent that they are to be paid in any given year. Only the portion of debt service that is due in FY 2009 will be budgeted as an expenditure. However, the remainder will be designated solely for debt service and can be budgeted in future years. Attempting to create a



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budget in the current year for future years' debt service will result in an audit finding and is not advisable. Creating a reserve is an acceptable method of accumulating the resources.

The FY2009 General Fund Budget can be amended to reflect Operating Transfers to the Debt Service Fund in the amount of \$596,505.

Option 2: Establish a budget stabilization reserve within the General Fund.

A budget stabilization reserve is a reserve account established in the General Fund used to accumulate resources to cover the cost of expenditures caused by unforeseen emergencies, cover shortfalls caused by revenue declines, and to eliminate any short-term borrowing, i.e. tax anticipation notes, for cash flow purposes. A reserve which represents no less than two (2) months of operating and debt expenditures (approximately 16% of budgeted expenditures) is recommended for a healthy budget reserve. A budget stabilization reserve can be used to cover any type of budget shortfall, including debt service.

The City of Dunwoody is still in the very infant stages of its development. While the budget has been developed by talented people with valuable information from reliable sources, the start-up phase of a new city is filled with unknowns. The city has no practical experience of revenues and expenditures. Maintaining a flexible budgeting strategy is a very critical component of the success of Dunwoody, in this first year and for years to come.

The FY2009 General Fund Budget can be amended to reflect Operating Transfers to the Budget Stabilization Reserve in the amount of \$596,505.

Staff Recommendation:

Either option is an acceptable alternative.

City of Dunwoody
Proposed Budget
February 28, 2009

DEBT SERVICE FUND	2009 REQUESTED
REVENUE	
OPERATING TRANSFERS IN-GENERAL FUND	\$ 596,505
TOTAL REVENUES	<u>\$ 596,505</u>
TOTAL ALL REVENUES	<u>\$ 596,505</u>
EXPENDITURES	
2009 APPROVED	
DEBT SERVICE	
PRINCIPAL	\$ 55,135
INTEREST	\$ 11,190
TOTAL DEBT SERVICE	<u>\$ 66,325</u>
TOTAL ALL EXPENDITURES	<u>\$ 66,325</u>
 FUND BALANCE RESERVED FOR DEBT SERVICE	 \$ 530,180

City of Dunwoody
Requested Budget Amendment
February 23, 2009

Amendment Description	Requested Amendment
City Manager	
Professional Services-Other	2,500
City Clerk	
Regular Salaries	8,000
Professional Services-Other	20,000
Police	
Communications	28,200
Non-Departmental	
Professional Services-Legal	65,100
Professional Services-Lobbyist	55,000
Equipment Rental	31,320
Communications	17,100
Operating Transfer Out-Debt Service Fund	594,235
Total Requested Reallocation	821,455

Source of Reallocated Funds By Department/Line Item	
Police-Vehicles	(250,000)
Police Furniture	(40,000)
Police-Computer Equipment	(50,000)
Police-Equipment	(135,205)
Police-Rent	(180,000)
City Hall Rent	(166,250)
	<u>(821,455)</u>

Adjusted Budget Totals By Department			
Department	Approved Budget	Requested Amendment	Amended Budget
City Council	149,231	-	149,231
City Manager	213,673	2,500	216,173
City Clerk	146,899	28,000	174,899
Community Development	1,900,500	-	1,900,500
Finance and Administration	2,070,928	-	2,070,928
Municipal Court Clerk	227,927	-	227,927
Police	5,731,804	(627,005)	5,104,799
Public Works	1,889,889	-	1,889,889
Non-Departmental	1,743,050	596,505	2,339,555
	<u>14,073,901</u>	<u>-</u>	<u>14,073,901</u>