

FINANCE MEMORANDUM
#11-07

DATE: April 14, 2011

TO: Honorable Mayor Joyce Downing and City Council Members

FROM: Bill Simmons, City Manager *WAS*
Shawn Cordsen, Director of Finance *SC*

SUBJECT: 2010 Water & Wastewater Fund Supplemental Appropriation: CB-1748

BACKGROUND:

According to Section 5-8-17(b) of the City Code:

“The City Council may by ordinance amend any appropriation to conform to the budget as adopted or amended, and shall do so to the extent any such appropriation is affected by any supplemental appropriation, emergency appropriation, reduction of appropriations or transfer of appropriations.”

On December 29, 2010 the City entered into an agreement to purchase 363 Church Ditch inches at a combined price of \$10,890,000. As part of the agreement the City submitted a down payment of \$3,300,000 for which it received 64 inches. The remaining 299 inches were financed via a capital lease whereby the remaining \$7,590,000 will be paid over a 5 year term.

Generally Accepted Accounting Principles (GAAP) require that funds using the modified accrual method of accounting report at the inception of a capital lease both a revenue and an expenditure equal to the net present value of the minimum lease payment. The net effect of this transaction on fund balance is zero.

UPDATE:

As the City of Northglenn converts all of its funds to the modified accrual method for budgeting purposes, it will be necessary to record both a revenue and expenditure in the amount of \$7,590,000. While the recording of the capital lease issuance will have no effect on the fund balance, it will result in the over-expenditure of the 2010 budget appropriations. As such, staff is requesting a supplemental appropriation to avoid reporting any over-expenditure.

PROS/CONS:

The supplemental appropriation will result in adequate authorized funding of the capital lease issuance and violation of the City Charter.

STAFF REFERENCE:

If Councilmembers have any comments or questions, you may contact Shawn Cordsen at scordsen@northglenn.org or at 303-450-8719.

SPONSORED BY: MAYOR DOWNING

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1748
Series of 2011

Series of 2011

A BILL FOR A SPECIAL ORDINANCE AMENDING THE 2010 BUDGET RECOGNIZING REVENUES AND APPROPRIATING EXPENDITURES BY SUPPLEMENTAL APPROPRIATION FOR THE PAYMENT OF THE COSTS AND EXPENSES OF THE MUNICIPAL GOVERNMENT, AGENCIES AND OFFICES OF THE CITY OF NORTHGLENN, COLORADO, FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2010

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT THE 2010 BUDGET SHALL BE AMENDED AS FOLLOWS:

Section 1. Supplemental appropriations and recognition of revenues.

- (a) **Water and Wastewater Fund.** Amend the 2010 Water and Wastewater Fund budget to increase estimated revenues in the amount of \$7,590,000 as follows:

\$7,590,000 to record the lease proceeds received for the purchase of 299 Church Ditch inches.

Recognize an increase in 2010 Water and Wastewater Fund restricted fund balance in the amount of \$7,590,000 represented by the above description.

- (b) **Water and Wastewater Fund.** Amend the 2010 Water and Wastewater Fund budget to increase appropriations in the amount of \$7,590,000 as follows:

\$7,590,000 to record the purchase via capital lease of 299 Church Ditch inches.

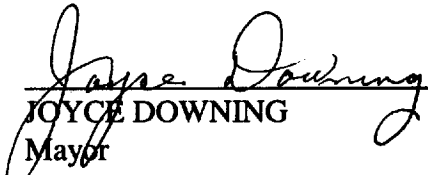
Recognize a decrease in 2010 Water and Wastewater Fund restricted fund balance in the amount of \$7,590,000 represented by the above description.

Section 2. The City Council of the City of Northglenn, Colorado, hereby finds and declares that in making appropriations provided by this ordinance:

- (a) No appropriation for debt service has been reduced or transferred.
- (b) No appropriation has been reduced below any amount required by law to be appropriated.
- (c) No appropriation has been reduced by more than the unencumbered balance thereof.
- (d) In the case of each transfer of all or part of any unencumbered appropriation, such transfer has been requested and approved by the City Manager.

- (e) In the case of each reduction of an appropriation, the City Manager has rendered his report and recommendations thereon and has requested and approved such reduction.
- (f) In the case of the appropriation amendment, the City Manager has certified that there are funds available for appropriation.

INTRODUCED, READ AND ORDERED POSTED this 14th day of April,
2011.



JOYCE DOWNING
Mayor

ATTEST:



JOHANNA SMALL, CMC
City Clerk


PASSED ON SECOND AND FINAL READING this _____ day of _____,
2011.

JOYCE DOWNING
Mayor

ATTEST:

JOHANNA SMALL, CMC
City Clerk

APPROVED AS TO FORM:



COREY Y. HOFFMANN
City Attorney