
TO: Mayor Kogon and Members of Council

SUBMITTED BY: Shelley Rector, CPA, CMA – CFO

DATE: July 9, 2019

SUBJECT: **Adjustments to Capital Budget Funding**

ORIGIN: Budget Management Policy 03450-04 and Audit Findings Letter for the year end March 31, 2018.

LEGISLATIVE AUTHORITY: MGA section 65.

RECOMMENDATION: That Council forward approval of the following changes to the funding for the Water and General Capital Budget to the July 9, 2019 Special Council meeting for approval:

1. Approval of the increase of Water Operating capital from revenue from \$40,000 to \$250,000;
2. Approval of the purchase of the 2004 CAT IT28 loader by Water Utility from the Town General Capital for \$10,000;
3. Approval of the addition of repairs to the engine of the 2004 CAT IT28 loader to the Water Capital Budget;
4. Withdraw of \$8,000 from the Capital Reserve which represents the Trade-In-Allowance for the 2004 Kubota L3130 Tractor against the purchase of a new tractor in the General Capital Fund.

BACKGROUND: Both the Water and General Operating Budgets have a surplus for the March 31, 2019 year end. During last year's audit, it was recommended that Council formally approve any changes to how Capital Projects are funded. All these items are basically year-end housekeeping items that we are bringing forward to Council per the audit recommendation and to ensure awareness when the Financial Statements are presented.

DISCUSSION:

The following are the changes made to the Water Capital Budget for year-end purposes:



Town of Amherst				
2018/19				
Water Operating Transfer Details				
			<u>Budget 2019</u>	<u>Actual 2019</u>
Transfers to Water Capital				
	Cap fr Revenue - Water Op		40,000	250,000
				-
				-
Total Transfer to Water Capital			\$ 40,000	\$ 250,000
Capital from Revenue was used to fund (or partially fund) the following projects:				
	Water Reservoir		-	36,885
	East Pleasant Street		-	151,035
	Fire Hydrant Replacement		12,500	10,429
	Water Meter Replacement		12,500	12,394
	Purchase of '04 CAT IT28 Loader from Gen Cap & rebuild engine		-	39,257
	New Service truck - did not purchase		15,000	-
			40,000	250,000

Prior to the adjustments listed above, the surplus in water was \$216,933. The budgeted amount for capital from revenue was \$40,000. In keeping with the Town's philosophy of paying for capital projects in cash whenever possible, staff is recommending that capital from revenue be increased from \$40,000 to \$250,000 to pay for the above noted Capital projects.

Staff notes that the amount of \$39,257 was used by the Water Utility to purchase the CAT IT28 loader from the Town General Capital (\$10,000) and to do repairs to the engine (\$29,257). The repair was done under the emergency authorization provisions of the procurement policy per Gregory D. Herrett, CPA, CA CAO dated January 29, 2019.

The final adjustment relates trade-in-allowance for the 2004 Kubota L3130 tractor against the purchase of a new tractor in the General Capital Fund. The sale of the old tractor had to be accounted for and the gain on sale was put into the Capital Reserve and then removed to be applied against the value of the new tractor.

FINANCIAL IMPLICATIONS: There is no actual increase in the capital budget as the only additional purchase was for the loader which is more than offset from not purchasing the wellfield land. As a result of these approvals, we will decrease our borrowing from \$421,485 to \$141,824.46 which results in the Water Utility saving approximately \$95,000 in interest costs over the next fifteen years.

COMMUNITY ENGAGEMENT: Any community engagement would be through social media and through the publishing of our Financial Statements once approved.

ENVIRONMENTAL IMPLICATIONS: None

SOCIAL JUSTICE IMPLICATIONS: None

ALTERNATIVES:

1. The Town can borrow the funds for the Capital Projects per the original Water Capital Budget.

ATTACHMENTS: None

Report prepared by: Shelley Rector, CPA, CMA - CFO
Report and Financial approved by: