

## Lemos, June

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**From:** Pamela Patterson <mslyta22@gmail.com>  
**Sent:** Tuesday, March 06, 2018 10:32 PM  
**To:** Lemos, June  
**Subject:** Council mid year budget review commet

Hello June,  
Please forward my questions to the City council at tomorrow's meeting.

My concerns relate to the Water and Wastewater Enterprises as Keith Patterson and myself own property in the city that we rent to tenants. I am seeking details about several lines in the financial budget report..

What are the current liabilities for both enterprises? Wastewater shows an increase in interest payments starting with budget for 2018, what is the loan amount? I understand there isn't a loan for the new construction that these state funds are a forgivable loan with no interest charged? As well as, 94% of this budget amount has been paid in the first half, it will not be an expense in the next 6 months. Water Enterprise also shows an increase in interest charges, was there a new loan in 2018?

The City has expended 84% of its budgeted line for Administration in the first half of the year, why? 60% of utilities have been expended in the first part of the year, will this be less in the rest of the year?

Why have net transfers change going out and why 83% in the first half? What are the expense allocated to the transfers?

In both Water and Wastewater, detail needs to be described for Administration and Personnel particularly what portion is a direct expense and what is an indirect expense.

Why do both enterprises have an unrestricted balance and what are the planned uses of these funds?

It would be more helpful to have a breakdown of Direct and Indirect expense so that the public can know the percentage of revenue that is being allocated to Indirect to determine if it is a reasonable charge.

Thank you for your service to our community,

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Pamela Patterson

In response to email questions from Pamela Patterson regarding the Council mid-year budget review:

1. What are the current liabilities for both enterprises?

***We only review operations (revenues and expenditures) at mid-year. The most recent audited balance sheet statements may be found in the FY16-17 CAFR on page 38 and include a detailed breakdown of current liabilities for each enterprise.***

2. Wastewater shows an increase in interest payments starting with budget for FY2018, what is the loan amount?

***Interest will not increase in FY2018. Please see the note regarding full accrual accounting in the mid-year report just below the charts on pages 5 and 7. Debt service schedules for Water may be found on pages 171 and 172 of the FY17-18 budget. Debt service schedules for Wastewater may be found on page 173 of the FY17-18 budget.***

3. I understand there isn't a loan for the new construction that these state funds are a forgivable loan with no interest charged?

***The enterprise is only contemplating one loan currently – up to \$5 million from the USDA with a term of 40 years at a rate of 2%. This loan is likely to close in FY18-19 and will be used as one segment of a \$15 million total financing plan to upgrade the City's wastewater treatment plant. The remainder of the financing plan includes grants and a cash contribution from the Enterprise fund.***

4. As well as, 94% of this budget amount has been paid in the first half, it will not be an expense in the next six months.

***Correct. This is according to the debt service schedule, which includes semiannual payments. Principal and interest is paid in the first payment. The second payment of the year will be interest only.***

5. Water Enterprise also shows an increase in interest charges, was there a new loan in 2018?

***Interest will not increase in FY2018. Please see the note regarding full accrual accounting in the mid-year report just below the charts on pages 5 and 7. Debt service schedules for Water may be found on pages 171 and 172 of the FY17-18 budget. Debt service schedules for Wastewater may be found on page 173 of the FY17-18 budget.***

6. The City has expended 84% of its budgeted line for Administration in the first half of the year, why?

***Administrative allocations were made in December of 2017. The Cost Allocation totals will not be exceeded by fiscal year-end. A true up of actual costs however will occur at fiscal year-end per the adopted budget.***

7. 60% of utilities have been expended in the first half of the year, will this be less in the rest of the year?

***This is due to seasonality of the wastewater pumps which tend to run harder and longer in the winter months. The current projection is that utility costs will end the year at or near budget.***

8. Why have net transfers change going out and why 83% in the first half of the year? What are the expenses allocated to the transfers?

***Budgeted transfers for the Water and Wastewater enterprises may be found on page 66 of the FY17-18 budget. Many of the budgeted transfers were completed in December of 2017. Depending on the adopted budget, transfers may net in or out in any given year.***

9. In both Water and Wastewater, detail needs to be described for Administration and Personnel particularly what portion is a direct expense and what is an indirect expense.

***Detail regarding the portions of direct and indirect costs for both enterprises may be found on page 67-76 of the FY17-18 budget.***

10. Why do both enterprises have an unrestricted balance and what are the planned uses of these funds?

***The unrestricted net position in each of the enterprise funds represents the funds' operating reserve. The amount is set at 25% of the prior year's operating expenditures. The policy defining the enterprise fund reserves may be found on page 18 (paragraph 9(d)) of the FY17-18 budget.***

11. It would be more helpful to have a breakdown of Direct and Indirect expense so that the public can know the percentage of revenue that is being allocated to Indirect to determine if it is a reasonable charge.

***Detail regarding the portions of direct and indirect costs for both enterprises may be found on page 67-76 of the FY17-18 budget.***

Thank you for your thoughtful and detailed questions. I hope my answers are helpful. It is my pleasure to serve the Fort Bragg Community.

Regards,

Victor Damiani

Finance Director

City of Fort Bragg