

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Modify Forecast Assumptions
DATE: March 4, 2003

Needs:

For the City Council to consider approval of modifications to four-year forecast assumptions.

Facts:

1. The current two-year budget/four-year financial forecast approved by Council included General Fund transfers to the Economic Incentive Fund.
2. The transfer for fiscal year 2003 was \$150,000.
3. The revised forecast presented to the Council as part of their goal setting process included the elimination of the transfer in fiscal year 2003.
4. The revised forecast also included the transfer of the residual balance remaining in the Orchard Bungalow Assessment District Fund to the General Fund.
5. The residual balance in the Orchard Bungalow Assessment District Fund is \$63,000.
6. The residual balance will be used to offset ongoing General Fund expenditures relating to the acceptance of the Orchard Bungalow Assessment District streets into the City's maintenance network.

Analysis &
Conclusion:

As noted above, the revised financial forecast presented to the Council as part of their deliberations during goal setting included the elimination of the General Fund transfer to the Economic Incentive Fund and the transfer of the residual balance of the Orchard Bungalow Assessment District Fund to the General Fund.

The Economic Incentive Fund currently has a cash balance of \$759,000 and will increase over time due to interest earnings. It is expected that the balance is sufficient to meet all outstanding incentive agreement obligations.

In the case of the Orchard Bungalow Assessment District Fund, bond counsel has issued an opinion that the residual balance remaining in the Fund may be transferred to the General Fund. This is particularly applicable since the funds would be specifically

used to reimburse recent and future expenditures from the General Fund for the acceptance of the Orchard Bungalow Assessment District streets into the City's maintenance network.

Fiscal
Impact:

Council approval of the two modifications included in the updated forecast will reduce the current fiscal year projected General Fund operating deficit by \$213,000.

Options:

- a. Approve the elimination of the General Fund transfer to the Economic Incentive Fund in fiscal year 2003 and the transfer of the residual balance remaining in the Orchard Bungalow Assessment District Fund to the General Fund; or
- b. Amend, modify, or reject the above option.