


**MEMORANDUM**

**TO:** Mayor England  
Vice Mayor Kostka  
Commissioner George  
Commissioner Samora  
Commissioner Rumrell

**FROM:** Max Royle, City Manager 

**DATE:** March 9, 2020

**SUBJECT:** Transferring Money in the Annual Budget: Review of Auditor's Recommendation and Request to Change Sections 2-103 and 2-104 of the General City Code

**INTRODUCTION**

The budget that's prepared during the summer before the start of a fiscal year has the Finance Director's and the department heads' best estimates of expenditures for upcoming fiscal year. Often, as the year progresses, more money than expected is spent from an account in a department's budget. For example, there may be the unanticipated (and expensive) repair of a critical vehicle; or fuel prices may increase causing more money than estimated to be spent from a department's fuel account. To keep department accounts in the black, the City Commission in 1990 approved Ordinance 90-24, which provided regulations for the transferring of money between accounts in a single department and between departments. Those regulations have been codified in the general City Code as Sections 2-103 and 2-104.

These sections concern who has the authority to transfer money between expenditure accounts during the fiscal year. Section 2-103 allows the City Manager to approve transfers of up to \$1,500 between accounts in a department's budget. The City Manager must report transfers between \$501 and \$1,500 to the City Commission. A transfer over \$1,500 can only be done by a resolution that's been approved by the City Commission.

Section 2-104 requires that a transfer of any amount BETWEEN departments can only be done by a Commission-approved resolution. The City Manager has no authority to approve such transfers.

Sections 2-103 and 2-104 are attached.

**AUDITOR'S RECOMMENDATION**

At your March 2<sup>nd</sup> meeting, Mr. James Halleran of James Moore, the City's auditing firm, presented the audit report for Fiscal Year 2019. On pages 43-44 of the report is the Auditors' Management letter. On page 44, the auditors provided two recommendations. One is 2019-004, Budgetary Legal Level of Control. It states:

"During our audit of the City's budgetary compliance, we noted the budgetary legal level of control is \$1,500 for the City Manager to make intradepartmental transfers and transfers of appropriations between departments require approval of the City Commission. To increase efficiency of staff and Commission time, we recommend the City

consider amending the City Ordinances to increase the legal level of control to allow City Manager approval of any interdepartmental transfers of appropriation and City Commission approval for any changes in the total budget for a fund."

In summary, what the auditors' recommendation means is this:

- That the City Manager be allowed to transfer any amount of money between accounts in any single department and as well as between departments, so long as the total appropriation approved by the Commission for the fund for the entire fiscal year is not exceeded.
- Transfers that exceed the total appropriation for a fund would require City Commission approval.

For example, the total appropriation approved last September by the City Commission for the General Fund for FY 2020 is \$7,273,278. Any transfers of money by the City Manager during the fiscal year could not change that amount. If the amount needed would change that "bottom line," then the transfer could be done only by a Commission-approved resolution. Usually such a change to a fund's total appropriation means a transfer is required from a reserve or the unassigned fund balance and such transfers have always been brought to the Commission for approval.

#### REASONS FOR THIS REQUEST

There are two:

1. To lessen the time during your meetings that you spend on matters that could be handled administratively. This will help you focus your attention and time on matters that are legislative/policy making in nature, such as changes to the Land Development Regulations, approval of final development plans, ordinances and contracts, awarding bids, increasing fees, and so on.
2. Because often there is no choice regarding the budget transfers you now approve: money must be transferred to repair a sanitation truck or police car, or to get accounts in the black because unforeseen circumstances have required more spending from them than expected.

You can still be kept informed of the transfers the City Manager makes by requiring a report from him. As noted above, Section 2-103 already requires that he inform you of transfers between \$501 and \$1,500. He now does this routinely as part of the financial report that's provided to you each month. You could require him to report to you transfers in excess of \$15,000, \$20,000, \$25,000, or a higher amount.

#### ACTION REQUESTED

It is that you discuss this proposal. If you agree with it, then the City Attorney can prepare an ordinance for first reading at you May 4<sup>th</sup> meeting.

**Sec. 2-104. Transfer of funds between departments.**

(a) Funds may be moved with city commission approval from one (1) department to another department.

(b) This transfer shall be done only by resolution approved by the city commission at a regular or special meeting.

(c) The format shall be the same as for the transfer of funds between accounts in one (1) department.

(Ord. No. 90-24, § 1, 1-7-91)

**Sec. 2-103. Transfer of funds between accounts in individual departments.**

(a) The city manager may approve transfers of fifteen hundred dollars (\$1,500.00) or less between accounts in a department. A transfer over fifteen hundred dollars (\$1,500.00) between accounts in a department may be made with the approval of the city commission. All transfers in excess of five hundred dollars (\$500.00) shall be reported to the city commission.

(b) A transfer in excess of fifteen hundred dollars (\$1,500.00) shall be done only by resolution approved by the city commission at regular or special meetings.

(c) The resolution shall be prepared in accordance with the format below:

(1) Resolution shall be labeled BR (Budget Resolution).

(2) Format shall be as follows:

The City Commission does hereby approve the transfer of funds within the \_\_\_\_\_ Department as follows:

From Account No. \_\_\_\_\_ the amount of \$ \_\_\_\_\_ which will decrease the appropriation in this account to \$ \_\_\_\_\_. To Account No. \_\_\_\_\_, which will increase the appropriation to this account to \$ \_\_\_\_\_.

(Ord. No. 90-24, § 1, 1-7-91; Ord. No. 92-24, § 1, 1-4-93; Ord. No. 03-02, § 1, 3-3-03)