



Date: March 21, 2005

Subject: Non-Departmental Budget Explanation

Recently misinformation has been circulating concerning expenditures in the Non-Departmental budget accounts. Last Friday, Councilman Lewis asked me to provide him a breakdown of projected expenditures from these two Non-Departmental budget accounts. It has been said that the amounts budgeted in these accounts are a \$4.8 million "slush" fund for City Management. The expenditures that are included in Non-Departmental budgets are valid and necessary.

The Non-Departmental budget provides expenses or projects that are not directly related to a particular department and therefore are not allocated to a department expense. Non-Departmental expenses include items such as amounts budgeted to fund interns in various departments, annual dues for Tex21 and the Trinity Rail Express as well as citywide training, citywide insurance, write-offs for bad debt, and transfers to internal service funds. Attached is a line item detail of non-departmental for both the General Fund and the Utility Fund.

By far the single largest expense in the Non-Departmental budgets for both the General Fund and Utility Fund is the transfer to Building Services. These amounts are the revenues that fund Building Services operations and maintenance of City buildings and are transferred on a monthly basis. Page 57 in the adopted budget document shows total charges for service revenue in the Building Services Fund equals \$1,677,063 which is made up of \$787,377 from the General Fund and \$889,686 from the Utility Fund. As you will recall, the Building Services Fund is an Internal Service Fund and charges are made to both General and Utility Funds to pay for the costs of maintenance of facilities, electricity, gas, and other costs of building operations. Rather than allocating these costs to individual departments of the General Fund and Utility Fund, the costs are budgeted in the Non-Departmental budget.

Another transfer carried in the Non-Departmental budget for both funds is the amount that was approved by Council as an additional transfer to the Self Insurance Fund to begin rebuilding reserves. On page 65 there is a transfer of \$463,000 included in revenues which is made up of \$347,250 from the General Fund and \$115,750 from the Utility Fund.

Several other significant expenditures that are budgeted in General Fund Non-Departmental are \$364,000 for ambulance bad debt write-offs, \$150,000 for the capital projects pay-as-you-go reserve and just over \$189,000 for general liability insurance, property insurance, public official liability insurance and unemployment insurance.

Included in Utility Fund Non-Departmental is a transfer of \$175,000 to the Information Services Fund which is reflected in Information Services revenues on page 69, \$485,231 for the scheduled Utility Fund debt service payment on water and sewer bonds and \$90,000 for bad debt expense write-offs for water, sewer and garbage.

Again, as you can see, these projected expenditures are ones that are not necessarily related to a specific department and therefore not appropriately allocated to individual departments.

Another comment that has recently been made is that the City does not utilize proper accounting principles. This is an absolutely inaccurate statement. North Richland Hills consistently uses Generally Accepted Accounting Principles (GAAP) that are developed by the Governmental Accounting Standards Board (GASB). The City does use Fund accounting as required, and our records are audited annually by an independent accounting firm. Our Director of Finance is a C.P.A.; we have three degreed accountants on staff, and our Managing Director of Administrative and Fiscal Services has an accounting background as well. There is no truth to any comment that the City is not following accounting principles and standards.

I hope this information is helpful. Please do not hesitate to call if you have any questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Larry J. Cunningham". The signature is fluid and cursive, with the first name "Larry" being the most prominent.

Larry J. Cunningham
City Manager

**GENERAL FUND
Non Departmental**

Non Departmental provides expenses or projects that are not directly related to a particular department and therefore not allocated to a department expense.

	2004/05 Adopted
Salaries/Benefits	
Intern Program (university students assigned to various dept	\$12,295
Market Adjustment	67,926
	80,221
General Services	
Part Time/Temp Assistance	20,000
External Audit Fees	54,291
Ad Hoc Committees	3,000
United Way Employee Campaign Expense	2,200
Trinity Rail Express Contract	60,000
Tex-21 Transportation Dues	10,000
I.H. 820 Strategic Plan Study	25,000
Employee Recognition - Service Awards/Banquet	10,000
Employee Recognition - Core Value Awards Program	2,400
Employee Recognition - On-The-Spot Awards Program	5,000
Appropriation to Self Insurance Fund Reserve	347,250
	539,141
Sundry	
General Liability Insurance	46,716
Property Insurance	90,642
Public Official Liability Insurance	21,753
Unemployment Insurance	29,933
Education and Training Seminars (Citywide)	11,481
Northeast Transportation Service (NETS)	29,900
Ambulance Bad Debt	364,000
Special Projects	133,100
Goals Worksession - \$25,000	
Legislative Travel - \$10,000	
Legislative Dues - \$10,000	
General Contingency - \$88,100	
Capital Projects Pay-As-You-Go Reserve	150,000
Transfer to Building Services Fund (Maintenance/Operations Capital/All Buildings)	787,377
	1,664,902
Supplies	
Special Event - Night of Holiday Magic	57,000
	57,000
Total General Fund Non-Departmental	\$2,341,264

**UTILITY FUND
Non Departmental**

Non Departmental provides expenses or projects that are not directly related to a particular department and therefore not allocated to a department expense.

	2004/05 ADOPTED
Salaries/Benefits	
Intern Program (university students assigned to various dept)	\$20,000
Market Adjustment	9,504
	<u>29,504</u>
General Services	
External Audit Fees	56,300
Arbitrage Rebate	41,500
General Contingency	85,000
Watauga System Shared O&M Costs (Per Agreement)	20,000
Employee Recognition - Service Awards/Banquet	5,000
Employee Recognition - Core Value Awards Program	2,400
Employee Recognition - On-The-Spot Awards Program	5,000
Education and Training Seminars (All Utility Employees)	10,433
	<u>225,633</u>
Maintenance	
Transfer to Equipment Services Fund (Maintenance/Ops)	50,000
Sundry	
General Liability Insurance	8,734
Property Insurance	32,148
Public Official Liability Insurance	1,695
Unemployment Insurance	5,042
Transfer to Information Services Fund (Computer Services)	175,000
Payment in Lieu of Taxes	298,385
Appropriation to Self Insurance Fund Reserve	115,750
Annual Debt Service Payment (Water & Sewer Funds)	485,231
Transfer to Building Services Fund (Maintenance/Operations Capital/All Buildings)	889,686
Water Bad Debt	36,900
Sewer Bad Debt	34,200
Garbage Bad Debt	18,900
	<u>2,101,671</u>
Capital	
Additoin to Capital Projects Reserve (Estimated)	95,062
	<u>95,062</u>
Total Utility Fund Non-Departmental	<u><u>\$2,501,870</u></u>