



City Council Communication

AGENDA DATE: November 17, 2025 **LEGISTAR ITEM #:** Ord 2724

PRESENTER: Theresa Wilson

DEPARTMENT: Finance

☒ Ordinance	☐ Resolution	☐ Public Hearing
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REQUEST

Approve a budget amendment ordinance to authorize supplemental appropriations for the Facility Services Fund and Benefits Fund.

BACKGROUND

Finance Staff has conducted mid-year analysis and determined that supplemental appropriation needs within the Facility Services Fund and the Benefits Fund. Both of these funds are Internal Service Funds and are normally funded through internal cost allocations applied to user departments, most of which are housed in the General Fund.

The Facility Services Fund supplemental funding needs total \$540,226. Supplemental funding is needed to cover higher costs associated with custodial services and higher than expected deferred maintenance costs at Bison Ridge Recreation Center, Eagle Point Recreation Center, and Paradise Island Pool. Funding needs are broken down as detailed below. Sufficient Facility Services Fund unencumbered fund balance is available to meet these supplemental funding needs. This will have no impact to the General Fund.

- Custodial Services - \$374,702
- Deferred Maintenance Needs - \$165,524
- Total supplemental appropriation need - \$540,226
- Funding source available to meet need – Facility Services Fund unencumbered fund balance in the amount of \$540,226

The Benefits Fund supplemental funding needs total \$1,898,449. Supplemental funding is needed due to a change in accounting practice required under the self-funded insurance model implemented in 2023 and to cover higher than anticipated claims expenditures. Unrecognized

CITY COUNCIL COMMUNICATION CONTINUED

revenues in the form of employee benefits cost-sharing contributions and General Fund unencumbered fund balance are available to meet these supplemental funding needs.

- Total supplemental appropriation need - \$1,898,449
- Funding sources available to meet need – unrecognized revenue in the form of employee benefits cost-sharing contributions in the amount of \$1,429,200 and a transfer of General Fund unencumbered fund balance in the amount of \$469,249

Please see addition information below for explanation of the change in accounting practice within the Benefits Fund.

- In 2023, the City switched from a fully insured model to a self-insured model
- Within the 2023, 2024, and 2025 Budgets, revenue related to employee cost-sharing contributions and related expenditures continued to flow through a liability account rather than revenue and expenditure accounts and thus, were not fully budgeted
- This practice was correct and suitable under a fully-insured model
- In 2025, the accounting practice was changed to record all cost sharing revenues (both employee and employer contributions) as revenue and record all claims costs as expenditures
- This change in accounting practice is required to properly recognize revenues and expenditures under a self-funded model, but creates a supplemental funding need to properly account for total revenues and expenditures

FINANCIAL IMPACT

Contractor	N/A
Amount of Request/Contract	N/A
Amount Not To Exceed	\$N/A
Amount Budgeted	\$N/A
Budget Year	FY2025
Funding Source	Unencumbered Fund Balances in the Facility Services Fund and General Fund and unrecognized revenue in the form of employee benefits cost-sharing contributions

CITY COUNCIL COMMUNICATION CONTINUED

Additional Funds Needed	\$N/A
Funding Source (if funds needed)	N/A

JUSTIFICATION

☐ Council Goal	☐ Strategic Plan	☒ Work Plan	☐ Legal
Citation	As the months of the fiscal year unfold, Finance staff continuously report on and analyze financial results and performance. Finance staff also make year-end projections and make recommendations to address areas of concern. In the case of these two Internal Service Funds, staff recommend amending the budget as proposed to prevent these two funds from going over budget in the 2025 fiscal year.		

AVAILABLE ACTIONS

• Available Action #1. Approve Ordinance 2724 as submitted. • Available Action #2. Take no action and allow these two Internal Service Funds to end the 2025 Fiscal Year in the negative (not recommended).

STAFF RECOMMENDATION

Staff recommends action #1, approval of the item.
