

Issue: Building Maintenance Fund Deficit

Does the Council wish to provide one-time funding to offset the existing deficit in the building maintenance fund and require the fund to begin fully recovering its costs in the future?

Background:

The 2001-2002 fiscal year audited financial statements show that the Building Maintenance Fund ended that year with a deficit unreserved fund balance of <\$188,000> with expenditures exceeded revenues by approximately \$330,000. Since that time no action has been taken to correct this condition and the deficit stood at <\$186,000.00> at June 30, 2005. Additionally, the proforma for the 2005-2006 fiscal year shows this deficit will grow by approximately \$132,000 by June 30, 2006 to a total of \$318,000.00. The deficit has continued to grow due to increased expense levels that were not matched by revenues collected from the funds served by the program. Since the 2002-2003 fiscal year, the annual increases in the expenditure base have been as follows:

2003-2004	6%
2004-2005	10%

Most of the increases shown are related to growth in salaries and benefits and utility costs. While program management is working to establish a new rate structure to ensure the fund is fully recovering its costs in the future, the current situation must be addressed.

At this time, staff is requesting the Council's concurrence to make a one-time charge to all participating funds to bring the Building Maintenance Fund back to solvency. Starting with FY 2006-07 fiscal year, staff is recommending an adjustment to the costs allocated to the departments served by the Building Maintenance Internal Service Fund so that it achieves full recovery of the costs incurred in each year. This adjustment will be accomplished through a year-end reconciliation of the program's costs compared to the allocations that were made to the departments that it serves as shown in the adopted budget.

Fiscal Impact:

The fiscal impact of the proposed one-time charge will be shared by all funds receiving services from the building maintenance program based on their current share of costs. A table showing the estimated impact on each fund is attached.

Additional impacts in the future should be minimal and will represent the final distribution of costs based on the year-end reconciliation described above.

Finance Committee Action:

Concur with staff recommendation for year-end reconciliation of costs compared to allocations made through internal service fund charges.