



Legislation Text

File #: 18-155, **Version:** 1

City Council Meeting Date: March 13, 2018

To: Mayor and City Council

From: Ben Martig, City Administrator
Teresa Jensen, Director of Library and IT Services
Brenda Angelstad, Finance Director

Review of a Resolution to Close the Library Capital Project Fund #462 and Authorize an Interfund Transfer and Budget Amendment.

Action Requested:

The Northfield City Council will discuss the actions needed related to the closure of the Library Renovation Project Capital Fund 462.

Summary Report:

Staff is recommending Council authorize to close the temporary Library Project Fund 462 as the activity is complete and is appropriate to close the account. The fund has a negative balance of \$177,017. The closure of the fund requires transfer of funds to create a zero balance within the fund. See the “financial impact” section of this memo for a description of the use of excess general fund undesignated reserves for this purpose as well as a summary of project costs and sources of funds.

The negative balance is a result of two primary factors: a) \$41,442 of additional engineering and legal expenses allocated to the project; and b) \$135,575 less in donations than had been planned within the project budget. The original commitment from the FFOL totaled \$402,680; their eventual commitment to the project was \$1,045,897, which, when added to the Bunday Gift Fund, totaled \$1,345,897 in private donations. The FFOL actual fundraising for the project equaled \$910,322, which represents a donation shortfall of \$135,575.

Alternative Options:

Accounting standards dictate that temporary project funds - like this one - should be closed within a reasonable time frame of completion. While the closure could occur in the 2018 year the Finance Director, in consultation with the City Auditor, believes it would be preferable administratively to close the project based on the lack of activity in the fund. Therefore, staff is not suggesting an alternative to the project closure.

Another alternative could be to seek an ongoing accounts receivable obligation from the FFOL in the amount of \$135,575.00 to require ongoing fundraising dollars be dedicated to this obligation. Staff is not recommending this option.

Financial Impacts:

The General Fund undesignated reserve balance can accommodate funding to close out this project. The General Fund balance as a percent of budget was 61.4% at the end of 2016. Based on the City's Fund Balance

Policy the target percentage is approximately 50%. If the General Fund transfers \$177,017 to close out the Library Capital Project Fund, the percentage would be reduced to approximately 56%, still above the target percentage.

Because the funds are undesignated, there is no impact to any existing operating budgets or projects.

The following table illustrates a summary of the project budget source and uses of funds over the authorization period:

Date	Total Cost	City Share	Friends of Library	GW Bunday Gift Fund	Public Funding	Private Funding
8/4/2015 Council Approval	\$3,012,500.00	\$1,666,603.00	\$1,045,897.00	\$300,000.00	55%	45%
External Repairs/Project Modifications	\$100,000.00	\$100,000.00				
4/19/2016 Additional \$ Council Approval	\$3,112,500.00	\$1,766,603.00	\$1,045,897.00	\$300,000.00	57%	43%
Fundraising Shortfall	\$ -	\$ 135,575.00	(\$ 135,575.00)			
Costs overrun 1.3%	\$ 41,442.00	\$ 41,442.00				
12/31/2017 Final Project Completion	\$3,153,942.00	\$1,943,620.00	\$ 910,322.00	\$300,000.00	62%	38%

Project Financing Timelines

- October 21, 2014 Resolution 2014-122 approving the Library Improvement Project. Funding for the project was a combination of City General Funds, Library Bunday Gift Funds and funds raised by the Capital Campaign Committee, spearheaded by the Friends and Foundation of the Northfield Public Library.
- February 3, 2015 The original budget for the project was \$2,054,750; a large donation, plus additional pledges from the FFOL increased the budget to a total of \$2,591,070, which was approved by Council on 2/3/15 in Resolution 2015-010.
- August 4, 2015 City Council approved the contract with Brennan Construction, who represented the lowest valid bid; earlier estimates for construction were given as \$2,255,195, with a total project cost of \$2,834,705. Brennan's bid totaled \$2,399,500, which brought the total project cost to \$3,012,500. Council approved the revised contract amount with Brennan Construction in Resolution 2015-079, with the shortfall of \$141,795 to be shared equally between the City and the FFOL.
- April 19, 2016 an additional \$100,000 was approved by Council in Resolution 2016-045 to increase the contingency fund, which was originally set at 5% of the construction cost. Numerous change orders related to repairs of the 100-plus year-old building necessitated the expenditure of these additional funds. This set the final approved expenditures for the project budget at \$3,112,500.
- March 13, 2018 The final total project expense is \$3,153,942 at the proposed closure of the temporary Library project fund. This again is due to additional legal and engineering expenses of \$41,442.

Tentative Timelines:

- March 20, 2018 Council Consider Resolution Closing Project Fund. This will require a minimum of 5 votes as it is a budget amendment.

