



### **Agenda Action Form Overview**

The Board is requested to approve Budget Ordinance Amendment No. 19BCC000022 reducing the General Fund budget for the payment of three fire trucks ordered in fiscal year (FY) 2018 because these trucks are now being paid for in the LOBs Capital Project Fund (Fund #4004110000) in FY2019 with debt issuance proceeds.

### **Background/Justification**

The Board is requested to approve Budget Ordinance Amendment No. 19BCC000022 reducing the General Fund FY2019 budget for the payment of three fire trucks ordered in FY2018 because these trucks are now being paid for in the LOBs Capital Project Fund (Fund #4004110000) in FY2019 with debt issuance proceeds in an amount not to exceed \$1.5M.

The Board approved the contract to purchase these three fire trucks in a regular session Board meeting on October 9, 2017 (Agenda Item #17-0387). Originally, the three fire trucks were to be purchased in the General Fund with funding sources to be a combination of a transfer of funds from the Durham County Fire and Rescue (DCF&R) Service District Fund in the amount of \$398,873 and the issuance of installment purchase proceeds for the General Fund in the amount of \$1,023,830 for a total purchase price of \$1,422,703 with these three fire trucks being the collateral for the issuance. As such, the encumbrance (e.g., purchase order) when the three trucks were ordered was accounted for in the General Fund. The trucks were not received in FY2018. As a result, the encumbrance rolled forward to FY2019 in the General Fund in the amount of \$1,422,703 (including the roll forward budget) for payment of these trucks once received. At the time of the order, there was no executed agreement between the County and the City of Durham to provide the services for the DCF&R District. Included in the executed agreement with the City which was effective July 1, 2018 is the transfer of these trucks to the City once received and paid for by the County. Because the County will not hold title to these assets after receipt and payment in full to the vendor, the County cannot use these trucks as collateral on debt proceeds issued to assist in funding the purchase which is why the purchase of these vehicles was added to the September 2018 debt issuance where the financing was secured by the Administration Building II.

As a result, the funding source for the purchase of these trucks had to change from what was originally proposed and approved. Please note that the DCF&R Fund could not support the entire payment upon receipt of the vehicles. Therefore, the Board approved in the final resolution for the debt issuance that occurred in September of 2018 an amount not to exceed \$1.5M for the purchase of these trucks including the equipment necessary for these trucks to be put into service upon receipt. The final resolution for the debt issuance was approved by the Board at the regular session meeting held on August 13, 2018 (Agenda Item #18-0935). As a result, the encumbrance (e.g., purchase order) will be reassigned to the LOBs Capital Project Fund (Fund #4004110000). Because the funding source for these three trucks changed, and the expenditure for the purchase of these trucks will not be accounted for in the General Fund, County staff are requesting approval of the Budget Ordinance Amendment No. 19BCCxxxxxx reducing the General Fund budget by the amount that rolled forward (\$1,422,703). By approving this amendment, the FY2019 General Fund budget will realistically reflect what is authorized to be spent for FY2019 in the General Fund.



Also, please note that the funding source for the debt service for the financing of the firefighting vehicles will be the DCF&R Service Tax Fund. An annual amount is to be transferred from the DCF&R Service Tax Fund to the Debt Service Fund to fund the portion of the debt service for these trucks. No general fund monies will fund this portion of the debt service.

### **Policy Impact**

There is no policy impact. The Board approval of this request will move the encumbrance to the updated Board approved funding source for the purchase of these three fire trucks which adheres to County Policy and the appropriate accounting treatment of the financial transactions. In addition, reducing the General Fund budget is appropriate in order for the FY2019 General Fund budget to realistically reflect what is authorized to be spent for FY2019 in this fund.

### **Procurement Background**

The contract to purchase the three fire trucks was approved by the Board at the Board's October 9, 2017 regular session meeting. The contract was executed, and the three trucks were ordered in FY2018. The purchase was originally to be accounted for in the General Fund. So, the encumbrance (e.g., purchase order) was posted to the General Fund. The three fire trucks were not received in FY2018. Therefore, the encumbrance rolled forward to FY2019 in the General Fund. In adherence to the executed agreement with the City of Durham to provide fire services in the DCF&R District, once these three trucks are received and paid for, the County will donate them to the City. As a result, these trucks cannot be used for collateral on a financing. So, the funding for these trucks was included in the September 2018 debt issuance (along with other projects approved in the final resolution which was approved by the Board at the Board's August 13, 2018 regular session meeting) with an amount not to exceed \$1.5M with the financing being secured by the Administration Building II. The encumbrance will be reassigned from the General Fund to the LOBs Capital Project Fund (Fund #4004110000). The three fire trucks are expected to be received the first part of December 2018.

### **Fiscal Impact**

The fiscal impact is a reduction of the encumbrance amount of \$1,422,703 in the General Fund and a reduction of the General Fund's current budget of the same amount. The budget for the purchase of these three trucks in the LOBs Capital Project Fund (Fund #4004110000) will be the not to exceed amount approved by the Board in the final resolution that was approved by the Board at the August 13, 2018 regular session, and the encumbrance reassigned to the LOBs Capital Project Fund (Fund #4004110000) to complete this purchase upon receipt of these three fire trucks.

In addition, the funding source for the debt service for the financing of the firefighting vehicles will be the DCF&R Service Tax Fund.



**Recommendation**

The County Manager, CFO and Fire Marshal/Emergency Management Director recommend that the Board approve Budget Ordinance Amendment No. 19BCC000022 reducing the General Fund budget for the payment of these three fire trucks ordered in FY2018 because these trucks are now being paid for in the LOBs Capital Project Fund (Fund #4004110000) in FY2019 with debt issuance proceeds in an amount not to exceed \$1.5M.

Approval of this recommendation will allow for the appropriate accounting treatment of the financial transactions (e.g., encumbrance, receipt of goods, expenditure, etc.) for these three fire trucks.