

## 01-22-2020 Town Council Meeting Responses to Council Questions

### **ITEM #17: FY 2019 Financial Update and Audit Results**

#### **Council Question:**

Please explain the new inspections regulation - is it a state regulation? What does it mean to "reserve" the excess funds - reserve for what? What is the intent behind the regulation?

#### **Staff Response:**

House Bill 948 from the 2017 Session law was approved on June 22, 2018 and became effective October 1, 2018 (FY 2019). This bill amended the applicable statute NCGS 160A-414 (a) and (c). See <https://www.ncleg.net/Sessions/2017/Bills/House/PDF/H948v6.pdf> (Page 5 and 6).

#### **§ 160A-414. Financial support; fee collection, accounting, and use limitation.**

(a) A city council may appropriate any available funds for the support of its inspection department any funds that it deems necessary. It may provide for paying inspectors fixed salaries or it may reimburse them for their services by paying over part or all of any fees collected. It may fix reasonable fees for issuing permits, for inspections, and for other services of the inspection department.

(b) When an inspection, for which the permit holder has paid a fee to the city, is performed by a marketplace pool Code-enforcement official upon request of the Insurance Commissioner under G.S. 143-151.12(9)a., the city shall promptly return to the permit holder the fee collected by the city for such inspection. This applies to the following inspections: plumbing, electrical systems, general building restrictions and regulations, heating and air-conditioning, and the general construction of buildings.

(c) All fees collected under this section shall be used for support of the administration and activities of the inspection department and for no other purpose. (1969, c. 1065, s. 1; 1971, c. 698, s. 1; 2015-145, s. 7.2; 2018-29, s. 3(b).)

*The legislation states that if inspections revenues exceed inspections expenses, the excess revenues must be held (or reserved) to be used in the future only for inspections related purposes (salaries, operating expenditures, capital, etc.). That means these funds must be reserved for inspections and are therefore not available for any other purpose.*

*The intent behind the regulation is to ensure that a municipality does not have inspections fees in place that far exceed the costs of carrying out those inspections. When looking at the Town's budget for Building & Development Services, the budget for revenues and expenditures are in line, which leads us to believe that our fees are appropriate and in line with what other municipalities charge. The reason that we have experienced excess revenues is due to staffing shortages that has led to lapsed salary savings.*

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#### **Council Question:**

For the Housing Fund, what are the funding source(s) for the occasional "other" funding (non-rent, non-HUD)? Given the steady reduction of HUD funding, has the Town considered contributing funds to the Housing Fund?

#### **Staff Response:**

*Other revenues in the Housing Fund include insurance recovery proceeds, sale of equipment, interest income and other small miscellaneous revenues. These amounts are typically very small in comparison to the total revenues received, which is why they make up such a small percentage of the bar chart. The exceptions were in FY 2014, FY2015 and to a small degree, FY 2018. Those years saw large amounts from insurance recovery proceeds (FY 2014 = \$208,967 & FY 2015 = \$49,612 from significant flooding damage to Airport Gardens and FY 2018 = \$32,259 from fire damage at 500 North Columbia St).*

*The purpose of an enterprise fund is to collect revenues that are sufficient to pay for the operating costs of the program. The goal each year is to operate these funds with an annual change in net position of as close to zero as possible (therefore, not to make a profit, but not to need a supplement from the General Fund). The Council can at any point decide to change the structure of any of the Town's four enterprise funds (transit, parking, housing or stormwater). The Housing Fund currently has a strong fund balance and unrestricted net assets of 115.2% of the annual operating budget. Therefore, they are currently not in need of any assistance from the General Fund. The purpose of this slide was to show Council that the Housing Fund relies heavily on federal grant funding, and if trends continue and federal funding decreases, decisions in future budgets might warrant having conversations about the financial future of the Housing Fund.*