



City of Homer

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Finance Department

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Memorandum 20-192

TO: Mayor Castner and Homer City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Elizabeth Walton, Finance Director
DATE: November 18, 2020
SUBJECT: Update on Fiscal Year Change

The purpose of this memo is to provide Council with an update on the process of switching our fiscal years.

Status Update

The Finance Department is continuing to explore options for hired assistance to help the City navigate the conversion. Our accounting software platform, Caselle, is able to significantly assist us through the conversion and the estimated cost came in at \$9,100. An ordinance will come at a later date asking for that appropriation.

The other potential option that the Finance department could benefit from would be significant increases in audit preparation assistance, as the City will have to work through two audits practically simultaneously. These costs could be experienced during FY21, but the likelihood is higher that FY22 will bear the brunt of these expenses.

Proposed Action Plan

Included as an attachment to this memo is a proposed action plan for the conversion of fiscal years. Before Council at the 11/23 meeting will be two pieces of legislation associated with the fiscal year conversion. There is a Resolution that defines that are FY21 will be truncated and will only cover January 1 – June 30, 2021. Fiscal Year 2022 will begin on July 1, 2021. There is an Ordinance that amends existing budget code to reflect the change in fiscal year.

The next heavy lift is presenting Council with an Ordinance illustrating an amended FY21. Staff has been diligently working on amending the FY21 budget to ensure the expenditures and revenues represent the period of January 1 through June 30, 2021. The proposed action plan has Administration presenting Council with an Amended FY21 budget at the 12/14 meeting. The public hearing and second reading will occur on the first City Council meeting in January. Departments have been advised to minimize spending in FY21 until the amended budget has been adopted by City Council.

Following the passage of the Resolution and Budget Ordinance, the City will quickly transition into working on the budget for FY22/23. The schedule for this process will be presented to council at the first City Council meeting in February. Administration is planning to present Council with a draft budget at the first meeting in May and the budget ordinance will follow at the second meeting in the same month. Council will have to adopt the FY22/23 budget by the end of June.

Future Budget Implications

There will be minimal audit costs incurred in FY21, as most of the audit work for our current fiscal year (FY20) will be done by Finance staff. The amended budget for FY21 will include a budget for audit costs, as there might be a need to get outside assistance on audit work related to CARES funding.

Council will most likely be presented with a FY22 budget that accounts for two audits, as the bulk of the work for FY20 and FY21 will occur during this fiscal year. FY23 and beyond will, in theory, account for only one audit.