

Mayor and Council Communication

DATE: 08/24/21

M&C FILE NUMBER: M&C 21-0603

LOG NAME: 13ROCKCREEKDEBTSERVICEFUND

SUBJECT

(ALL) Authorize Moving Appropriations and Financial Transactions from the "Rock Creek Public Improvement District Debt Service Fund" to the "Rock Creek Trust Public Improvement District Debt Service Fund," a Successor Custodial Fund, with No Substantive Change to the Use of Funds and No Financial Impact to the City

RECOMMENDATION:

It is recommended that the City Council authorize staff to move appropriations and financial transactions from the "Rock Creek Public Improvement District Debt Service Fund" to a successor custodial fund designated as "Rock Creek Trust Public Improvement District Debt Service Fund," with no change to how such funds are used and no financial impact to the City, and with such change to be effective October 1, 2020 in order to comply with Governmental Accounting Standards Board Statement No. 84 Fiduciary Activities.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to authorize staff to move appropriations and other financial transactions from the existing debt service fund for Rock Creek to a successor fiduciary fund serving the same purpose in order to comply with guidance of Governmental Accounting Standards Board (GASB) Statement No. 84. Making this technical change would have no impact to the substance of how these funds are used and no financial impact to the City.

On a yearly basis, the Financial Reporting Division of the Financial Management Services (FMS) Department reviews funds and updates for fiduciary activities. It was determined that the Rock Creek Public Improvement District (PID) Debt Service Fund should be treated as a fiduciary activity based on the criteria listed in paragraph 8 of GASB 84. This statement provides the criteria for three types of activities: 1) fiduciary component units, 2) pension and OPEB arrangements that are not component units, and 3) other fiduciary activities.

Under GASB 84, activity is considered "other fiduciary activity" if all of the following criteria are met:

- A. The assets associated with the activity are controlled by the government.
- B. The assets associated with the activity are not derived either: (1) Solely from the government's own-source revenues or (2) From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does not have administrative involvement or direct financial involvement.
- C. The assets associated with the activity have one or more of the following characteristics: (1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government. (2) The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals.

Based on the above criteria, the Rock Creek PID Debt Service Fund meets A, B, and C(1) and; therefore, meets the definition of other fiduciary activities.

Current Fund Structure

Currently, the Rock Creek PID Debt Service Fund is treated as a Debt Service Fund.

Proposed Change

In order to comply with GASB 84 guidance, the appropriations and transactions from the Rock Creek PID Debt Service Fund will be moved to a debt service fund that is also a custodial trust fund, with the new fund designated "Rock Creek Trust Public Improvement District Debt Service Fund." This change would be effective October 1, 2020. The custodial Debt Service Fund's beginning fund balance will be restated to reflect the change in treatment of the funds.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations, funds and financial transactions will be moved from the Rock Creek PID Debt Service Fund to the new custodial Rock Creek Trust Fund to be in compliance with Governmental Accounting Standards Board Statement No. 84 Fiduciary activities and efficiently expedite the movement to the new Fund.

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Expedited