

# CITY OF HIGH POINT

## AGENDA ITEM



**Title:** SBITA and Lease Budget Amendment

**From:** Bobby Fitzjohn, Financial Services Director

**Public Hearing:** No

**Attachments:** Budget amendment

**Meeting Date:** June 20, 2023

**Advertising Date /**

**Advertised By:**

### **PURPOSE:**

Due to a change in accounting standards, a budget amendment is necessary to properly record the City's outstanding leases and subscription-based information technology arrangements (SBITAs).

### **BACKGROUND:**

Generally accepted accounting principles (GAAP) require that all long-term leases and SBITAs be capitalized and receive specialized accounting treatment. When a lease or SBITA is capitalized, it requires budgetary authorization, similar to a purchase of capital equipment. The attached ordinance allows the City to properly record leases that have previously been entered.

### **BUDGET IMPACT:**

Budgeted expenses associated with capitalizing leases are equal to the associated accounting revenue recognized by entering into the lease.

### **RECOMMENDATION / ACTION REQUESTED:**

Staff recommends approval of the attached budget ordinance amendment which will allow the proper accounting of the capital lease.

"AN ORDINANCE AMENDING THE 2022-2023 BUDGET ORDINANCE  
OF THE CITY OF HIGH POINT, NORTH CAROLINA  
TO APPROPRIATE LEASE AND SBITA PROCEEDS

Be it ordained by the City Council of the City of High Point, North Carolina, as follows:

Section 1. The City of High Point has determined it is in the City's best interest to lease certain equipment and enter into subscription-based information technology arrangements. Accounting standards require these leases and arrangements to be recorded as capital assets and a corresponding obligation.

Section 2. The 2022-2023 Budget Ordinance of the City of High Point, should be amended as follows:

(A) That the following additional sources be amended as follows:

General Fund – Lease/SBITA Proceeds	\$3,837,000
Debt Service Fund – Lease/SBITA Proceeds	8,300
Electric Fund – Lease/SBITA Proceeds	337,300
Central Services Fund – Lease/SBITA Proceeds	234,500
Water Sewer Fund – Lease/SBITA Proceeds	27,600
Landfill Fund – Lease/SBITA Proceeds	<u>250,000</u>
Total	\$4,694,700

(B) That the following expenditures be increased:

General Fund – Lease/SBITA Agreement	\$3,837,000
Debt Service Fund – Lease/SBITA Agreement	8,300
Electric Fund – Lease/SBITA Agreement	337,300
Central Services Fund – Lease/SBITA Agreement	234,500
Water Sewer Fund – Lease/SBITA Agreement	27,600
Landfill Fund – Lease/SBITA Agreement	<u>250,000</u>
Total	\$4,694,700

Section 3. That all ordinances, or parts of ordinances in conflict with this ordinance are hereby repealed to the extent of such conflict.

Section 4. That this ordinance shall be effective from and after its passage."

Adopted by High Point City Council, this the 20<sup>th</sup> day of June 2023

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Jay W. Wagner, Mayor

ATTEST

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Sandra Keeney, City Clerk