

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Larry D. Lisenbee

**SUBJECT:** SEE BELOW

**DATE:** June 9, 2006

Approved

Date 6-09-06

Council District: City-Wide

**SUBJECT: ADOPTION OF AMENDMENTS TO THE ANNUAL APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION FOR VARIOUS OPERATING AND CAPITAL FUNDS TO REFLECT ESTIMATED 2005-2006 REVENUE RECEIPTS, EXPENSES AND ENCUMBRANCES**

## RECOMMENDATION

It is recommended that the City Council approve Appropriation Ordinance and Funding Sources Resolution amendments in various funds as detailed in Attachments A (General Fund), B (Special Funds) and C (Capital Funds) of this memorandum.

## BACKGROUND

Over the course of the last several weeks, the Budget Office has conducted a final detailed review of existing appropriations and revenue estimates as compared to year-end projected levels. This review was performed utilizing financial reports identifying year-to-date expenditures, encumbrances and revenues.

As a result of this review, the following types of adjustments to the Appropriation Ordinance and Funding Sources Resolution are recommended in this report:

- Adjustments to assure adequate funding in various departments, city-wide and capital projects is available through the end of the fiscal year based on changes in expenditure estimates or project schedules;
- Adjustments to bring revenue estimates in line with the latest information and to recognize funding from other agencies and appropriate those funds;

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### **BACKGROUND** (Cont'd.)

- Adjustments to revenues and expenditures in order to bring the General Fund Ending Fund Balance in-line with the estimates included in the 2006-2007 Proposed Operating Budget;
- Technical adjustments identified in recent months, including changes to reflect the proper accounting treatment of various transactions.

As in the past, an effort has been made to provide for adjustments in those cases where it appears there is a possibility that appropriations would be exceeded by year-end. These actions are intended to be responsive to Council direction to discontinue the practice of after-the-fact ratifications of over-expenditures, to the extent possible.

### **ANALYSIS**

Provided below is a brief overview of the budget actions recommended in this report. Descriptions of the individual transactions recommended in the General Fund, Special Funds and Capital Funds are provided in Attachments A, B and C.

#### **General Fund**

All of the General Fund transactions are detailed in Attachment A. Most of these proposed revisions fall into one of the following categories:

- **General Fund Ending Fund Balance:** In order to bring the General Fund Ending Fund Balance in-line with the estimates included in the 2006-2007 Proposed Operating Budget, adjustments to operating revenues and expenditures are recommended. These adjustments total \$25.3 million and are in addition to the \$17.0 million that was previously set aside.
- **Net Zero Movements Between Appropriation Categories:** The largest number of proposed net-zero adjustments involve situations where total departmental level appropriations will not be exceeded by year-end, but adjustments between expenditure categories within a department are required to prevent an over-expenditure of an appropriation category or complete an important planned expenditure.
- **Revenue Related Changes:** There are several proposed transactions that recognize new revenue and appropriate those funds associated with grants, reimbursement for services, fee activities or transfers from other funds.

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**ANALYSIS** (Cont'd.)

**General Fund** (Cont'd.)

- **Adjustments Requiring Additional Funding:** Within this category, there are three types of adjustments required to avoid cost overruns. The first involves four new projects that are either a high priority for the City Council or are necessary actions where no funding current exists. They are: Sunshine Reform, an assessment of the organization's Risk Assessment capabilities, a Land Use Planning effort for the Old City Hall location and a return of funds to the Park Trust Fund that were inadvertently deposited in the General Fund. The second type of adjustment includes existing appropriations that require additional funding to avoid cost overruns in 2005-2006. Increased funding, for example, is needed for this purpose in Employee Services Department and Office of Emergency Services. The third type of adjustment includes existing appropriations that require additional funding to adjust 2006-2007 to appropriate levels to correspond to more recent estimates. These include Sick Leave Payments Upon Retirement and the Contingency Reserve 3% policy level. Sufficient savings are available in the Worker's Compensation Claims Payments appropriation to offset these augmentations.

The recommended actions result in a net increase of \$29.1 million in total General Fund appropriations, all of which are offset by additional revenue that has already been received or is anticipated to be received by year-end.

**Special Funds**

All adjustments proposed in the various Special Funds are offset by changes in appropriation levels and/or revenues and are detailed in Attachment B. Most of these proposed revisions fall into one of the following categories:

- **Appropriation Adjustments to Prevent Potential Over-Expenditures:** Revisions are proposed in a number of funds to correct situations in which it appears that the current appropriations may be insufficient to support required expenditures. In each instance, funding is available within the involved fund to offset the required adjustment.
- **Transfers and Changes in Revenues:** Revisions are proposed to several funds in order to reflect changes in estimated revenues or transfers among funds required to comply with operating agreements or to properly reflect required accounting treatment of various financial transactions.
- **Technical Adjustments:** Various technical adjustments are recommended to reflect transactions in the appropriate fund.

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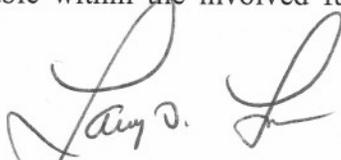
**ANALYSIS** (Cont'd.)

**Capital Funds**

The proposed budget adjustments recommended for the various Capital Funds are detailed in Attachment C. Most of these proposed revisions fall into one of the following categories:

- **Revenue Revisions:** Revisions are proposed in a number of funds in order to reflect anticipated year-end revenue collections. These include revisions to revenue estimates based on current year collection patterns and changes to various grant and reimbursement-related revenues. The most significant revenue change is a recommended \$24 million increase in the Construction and Conveyance (C & C) Tax estimate (from \$20 million to \$44 million). The fact that C & C Tax revenues are running above budgeted levels has been reported to Council in Monthly Financial Reports and the Mid-Year Budget Review. This higher collection level was assumed in the development of the 2007-2011 Proposed Capital Improvement Program.
- **Appropriation Changes to Projects to Reflect Revised Expenditure Estimates or Schedules:** Appropriation changes to reflect revised project scopes, expenditure estimates or schedules.
- **Technical Adjustments:** Various technical adjustments are recommended to reflect transactions in the appropriate fund. Included in this category are minor technical adjustments in a number of funds associated with the revised methodology for distributing Public Works administrative staff costs. At the end of the fiscal year, the distribution of these costs among the various funds and projects will be revised based on actual experience during the year. Small allocations are recommended in a number of funds to be used for those projects where the year-end adjustment for administrative overhead might otherwise result in a negative appropriation.

The specific reasons for each of the proposed actions in the Capital Funds are discussed in Attachment C. In each instance, funding is available within the involved fund to offset the required adjustment.

  
LARRY D. LISENBEE  
Budget Director

Attachments

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I hereby certify that there will be available for appropriation in the amounts as listed in the fiscal year 2005-2006 monies in excess of those heretofore appropriated therefrom:

General Fund	\$29,097,305
Airport Revenue Fund	1,454,712
Benefit Fund	45,000
Business Improvement Fund	450,000
Convention and Cultural Affairs Fund	222,000
Gas Tax Maintenance and Construction Fund - 1943	330,000
Gas Tax Maintenance and Construction Fund - 1964	150,000
Gas Tax Maintenance and Construction Fund - 1990	420,000
General Purpose Parking Fund	222,000
Gift Trust Fund	102,059
Vehicle Maintenance and Operations Fund	900,000
Workforce Investment Act Fund	2,888,103
Airport Capital Improvement Fund	6,000,000
Civic Center Parking Fund	1,026,000
Communications Const & Conveyance Tax Fund	816,000
Library Const & Conveyance Tax Fund	3,413,000
Library Bond Projects Fund	706,000
Central Const & Conveyance Tax Fund	15,360,000
City-wide Const & Conveyance Tax Fund	4,349,000
Council Dist 1 Const & Conveyance Tax Fund	852,000
Council Dist 2 Const & Conveyance Tax Fund	678,000
Council Dist 3 Const & Conveyance Tax Fund	649,000
Council Dist 4 Const & Conveyance Tax Fund	793,000
Council Dist 5 Const & Conveyance Tax Fund	1,101,000
Council Dist 6 Const & Conveyance Tax Fund	872,000
Council Dist 7 Const & Conveyance Tax Fund	991,000
Council Dist 8 Const & Conveyance Tax Fund	798,000
Council Dist 9 Const & Conveyance Tax Fund	735,000
Council Dist 10 Const & Conveyance Tax Fund	1,238,000
Park Trust Fund	25,000
Park Yards Const & Conveyance Tax Fund	288,000
Fire Const & Conveyance Tax Fund	2,086,000
Service Yards Const & Conveyance Tax Fund	2,107,000
Building and Structure Construction Tax Fund	166,658
Construction Excise Tax Fund	127,500

  
LARRY D. LISENBEE  
Budget Director