

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Larry D. Lisenbee

**SUBJECT:** SEE BELOW

**DATE:** September 13, 2005

Approved

*Kay Winer*

Date

*9/14/05*

**SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN  
VARIOUS APPROPRIATIONS FOR FY 2004-2005**

## RECOMMENDATION

It is recommended that the City Council adopt an ordinance ratifying the final 2004-2005 appropriation increases detailed in this report.

## BACKGROUND

As part of the process of completing the 2004-2005 fiscal year-end audit, final expenditures and encumbrances recorded by the Finance Department have been compared to the budget to determine whether the expenditures were within appropriation levels adopted and amended by the City Council. In this report, City Council approval is requested for several appropriation increases necessitated because final 2004-2005 expenditure totals exceeded final modified appropriation levels.

## ANALYSIS

Every year, as part of the year-end closing process, certain expenses not previously expected are recorded and cause appropriations to be exceeded. Under the City's current practice, appropriation increases necessary to fund those expenses require City Council ratification action.

The Administration makes every effort to limit the number of instances where after-the-fact ratification of over-expenditures must occur. As has been the practice in the past, a clean-up appropriation ordinance was prepared and brought to City Council in June 2005 for the 2004-2005 fiscal year. A number of potential overruns were avoided as a result of the actions taken in that document.

Attachment A describes the 2004-2005 appropriations that were exceeded for all City funds. The total amount involved for four funds is approximately \$6.5 million. The additional funding utilized for each of these ratification actions is available from additional revenues or uncommitted ending fund balances in the respective funds.

September 13, 2005

Subject: **ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN VARIOUS APPROPRIATIONS FOR FY 2004-2005**

Page 2

**ANALYSIS** (Cont'd.)

By far the largest element of the \$6.5 million (approximately \$5.8 million) actually represents good news as it results from the over-expenditures that occurred in the Transfer appropriations of the Construction and Conveyance Tax Funds as a result of higher than anticipated revenues.

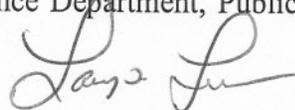
The majority of the General Fund part reflects over expenditures in the Public Works Department. The over expenditures occurred in two areas: 1) Special Assessment District related activities and 2) Public Works Fee Program activities. Although revenues for the department's Special Assessment District related activities were collected and recognized in the General Fund, an appropriation was not requested to recognize the related expenditures. By far the largest portion of the over expenditures in the Public Works General Fund Personal Services appropriation (\$528,000), however, were related to Public Works Fee Program activities. During 2004-2005, the Fee program experienced workload increases higher than originally estimated in the construction inspection areas for private development projects. An adjustment to the Public Works Fee Reserve (\$149,000) was approved by the City Council in the June 2005 clean-up action, reflecting the projections of the department at that time. Much higher than anticipated activity during the last two months of the year, however, caused the Department to significantly exceed that estimate. Partially mitigating the expenditure overrun, Public Works Fee Program revenue collections exceeded the budgeted amount in 2004-2005 by \$272,000. The remaining \$256,000 can be offset by a reduction to the Public Works Program Fee Reserve. An adjustment to recognize these fees and reduce the reserve will be brought forward as part of the 2004-2005 City Manager's Annual Report later this month.

**PUBLIC OUTREACH**

Not applicable.

**COORDINATION**

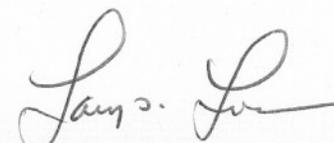
This memorandum was coordinated with the Finance Department, Public Works Department, and the Office of the City Attorney.



LARRY D. LISENBEE  
Budget Director

I hereby certify that there was available for appropriation in the designated funds and in the amounts as listed below in fiscal year 2003-2004 moneys in excess of those heretofore appropriated there from:

Construction and Conveyance Tax Funds	\$ 5,824,058
General Fund	695,274
Passenger Facilities Charges Fund	4,410
Municipal Health Services Fund	1,254



LARRY D. LISENBEE  
Budget Director

## ATTACHMENT A

### Construction and Conveyance Tax Funds

\$ 5,824,058

A technical adjustment to recognize the over-expenditures which occurred in the Transfer appropriations of the Construction and Conveyance Tax Funds as a result of higher than anticipated revenues. In conformance with the Council-approved policy, once received, all surplus funds were transferred to each of the Council Districts and City-Wide funds. This caused budgeted transfer appropriation levels to be exceeded.

### General Fund

695,274

A technical adjustment to recognize over-expenditures that occurred in the Public Works Department Personal Services appropriation as a result of higher than anticipated expenditures for Special Assessment District related activities and Public Works Fee Program activities. The \$678,000 of over expenditures can be offset by Special Assessment District revenue collected in 2004-2005 (\$150,000), Public Works Fee Program revenue collections in excess of budget collected in 2004-2005 (\$272,000), and a reduction to the Public Works Fee Program Reserve (\$256,000).

In addition, the appropriation for debt service payments and financing fees on the City of San Jose Financing Authority lease revenue bonds issued to purchase the FMC property adjacent to the Airport was exceeded by approximately \$17,000. This excess is the result of higher than anticipated variable-rate debt service costs. The General Fund debt service payments and financing fees are reimbursed from Airport General Revenues, and the FY 2004-2005 excess amount has already been transferred from the Airport to the General Fund. This budget action ratifies payments, which have already been made and reimbursed by the Airport.

### Passenger Facilities Charges Fund

4,410

A technical adjustment to recognize over-expenditures related to the Skyport Grade Separation. Amounts budgeted were not adequate to reflect the actual expenditures for the Skyport Grade Separation. This caused the budgeted appropriation level to be exceeded.

### Municipal Health Services Fund

1,254

A technical adjustment to recognize over-expenditures related to the Citywide Overhead appropriation. Amounts budgeted were not adequate to reflect the actual expenditures for Citywide Overhead. This caused the budgeted appropriation level to be exceeded.

**TOTAL**

**\$6,524,996**