



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Larry D. Lisenbee

**SUBJECT:** SEE BELOW

**DATE:** September 12, 2007

Approved

Date

9/14/07

**SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN VARIOUS APPROPRIATIONS FOR FY 2006-2007 AND ADOPTION OF THE ASSOCIATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN 2006-2007**

## RECOMMENDATION

It is recommended that the City Council:

1. Adopt an ordinance ratifying the final 2006-2007 appropriation increases detailed in this report.
2. Adopt the following 2006-2007 appropriation ordinance and funding sources resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund:
  - a) Increase the Earned Revenue estimate by \$4,967,928;
  - b) Increase the Transfer to Council District 1 by \$281,702;
  - c) Increase the Transfer to Council District 2 by \$240,274;
  - d) Increase the Transfer to Council District 3 by \$260,519;
  - e) Increase the Transfer to Council District 4 by \$261,396;
  - f) Increase the Transfer to Council District 5 by \$284,274;
  - g) Increase the Transfer to Council District 6 by \$287,784;
  - h) Increase the Transfer to Council District 7 by \$329,181;
  - i) Increase the Transfer to Council District 8 by \$264,968;
  - j) Increase the Transfer to Council District 9 by \$187,469;
  - k) Increase the Transfer to Council District 10 by \$412,762;
  - l) Increase the Transfer to City-Wide by \$1,408,661; and
  - m) Increase the Transfer to the General Fund by \$748,938.
3. Adopt the following 2006-2007 appropriation ordinance and funding sources resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes:
  - a) Increase the Earned Revenue Estimate by \$14,244; and
  - b) Increase the Transfer to the General Fund by \$14,244.
4. Adopt the following 2006-2007 appropriation ordinance and funding sources resolution amendments in the Construction Excise Tax Fund:
  - a) Increase the Earned Revenue Estimate by \$64,148; and
  - b) Increase the Fiber Optics Permit Engineering appropriation by \$64,148.

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### **OUTCOME**

The recommended actions account for the over expenditures that occurred at the end of fiscal year 2006-2007 and allow the final financial accounting for 2006-2007 to be completed.

### **BACKGROUND**

As part of the process of completing the 2006-2007 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 2006-2007 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 by the Budget Office in June 2007 for the 2006-2007 fiscal year. A number of potential overruns were avoided as a result of the actions taken in that document.

Attachment A describes 2006-2007 appropriations that were exceeded for all City funds. The total amount for the three funds involved is approximately \$5.05 million. The additional funding utilized for each of these ratification actions is available from additional revenue in the respective funds.

Virtually the entire \$5.05 million total (approximately \$5.0 million) actually represents good news as it results from over-expenditures that occurred in the Transfer appropriations in the Construction and Conveyance Tax Funds as a result of higher than anticipated revenue collections and associated distribution of the revenue surpluses in those funds.

The remaining ratification of \$64,147 in the Construction Excise Tax Fund was the result of the higher than budgeted expenditures in the Fiber Optics Permit Engineering appropriation. This appropriation is used to account for the fee-reimbursed activity associated with issuing permits and performing the related work for Fiber Optics permits obtained by private companies, such as Comcast. Additional reimbursement revenue is available to cover the additional cost.

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### **EVALUATION AND FOLLOW-UP**

The ratification of exceeded appropriations will be incorporated into the City's Comprehensive Annual Financial Report for fiscal year 2006-2007.

### **POLICY ALTERNATIVES**

N/A

### **PUBLIC OUTREACH**

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion 1 as it relates to budget actions greater than \$1 million. This memorandum will be posted on the City's Internet website for the October 2, 2007 Council agenda.

### **COORDINATION**

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

### **FISCAL/POLICY ALIGNMENT**

The recommended budget actions align with the City's budget policy that dictates that the City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets.

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**COST SUMMARY/IMPLICATIONS**

As discussed in the memorandum, additional revenue is available to offset the exceeded appropriations for 2006-2007.



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 2006-2007 moneys in excess of those heretofore appropriated there from:

Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund	\$ 4,967,928
Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes	14,244
Construction Excise Tax Fund	64,148



LARRY D. LISENBEE  
Budget Director

For questions, please contact Larry D. Lisenbee, Budget Director at (408) 535-8144.

**ATTACHMENT A**

**Construction and Conveyance Tax Funds**

\$ 4,982,172

A technical adjustment is necessary to account for the over-expenditures that occurred in the Transfer appropriations of the Parks Construction and Conveyance Tax Funds as a result of higher than anticipated revenues. The Parks Construction and Conveyance Tax revenue is received in the Parks Construction and Conveyance Tax Fund - Central Fund and then distributed to the various City-Wide and District Construction and Conveyance Tax Funds as well as the General Fund based on the Council-approved distribution formula. Because the Parks Construction and Conveyance Tax Fund revenue ended the year above the budgeted level, the transfer appropriations that were used to distribute this revenue to the other funds were also exceeded. This also resulted in an exceeded transfer appropriation in the Park Yards Construction and Conveyance Tax Fund in which a portion of the revenue is transferred to the General Fund for operating and maintenance costs.

**Construction Excise Tax Fund**

64,148

An appropriation adjustment is necessary to account for an over-expenditure that occurred in the Fiber Optics Permit Engineering appropriation. As discussed above, this appropriation is used to account for the fee-reimbursed activity associated with issuing permits and performing the related work for Fiber Optics permits obtained by private companies, such as Comcast. As a result of higher than anticipated permit activity, this appropriation was exceeded at year-end. Additional fee revenue is available to offset the additional cost.

**TOTAL**

**\$5,046,320**