



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: September 18, 2006

Approved

Date

9/19/06

**SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN
VARIOUS APPROPRIATIONS FOR FY 2005-2006**

RECOMMENDATION

It is recommended that the City Council adopt an ordinance ratifying the final 2005-2006 appropriation increases detailed in this report.

BACKGROUND

As part of the process of completing the 2005-2006 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 2005-2006 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 2006 for the 2005-2006 fiscal year. A number of potential overruns were avoided as a result of the actions taken in that document.

Attachment A describes the 2005-2006 appropriations that were exceeded for all City funds. The total amount for the three funds involved is approximately \$4.3 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.

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ANALYSIS (Cont'd.)

By far the largest element of the \$4.3 million total (approximately \$3.7 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 revenue collections and associated distribution of the surpluses in those funds.

The Convention and Cultural Affairs Fund accounts for the operation of the City's Convention Facilities that are managed by Team San José. The Non-Personal/Equipment appropriation in this fund ended 2005-2006 with expenditures which exceeded the budgeted level by \$516,797. At the fund level, this overage can be entirely offset without depleting net fund balance dollars by utilizing a combination of Team San José Personal Services savings (\$302,786) and revenue collected in excess of the budgeted amount (\$243,724).

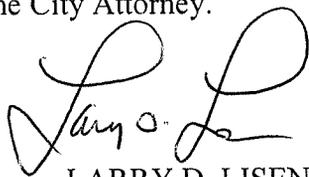
In the Redevelopment Capital Projects Fund a technical adjustment is necessary to recognize over-expenditures in five capital projects (\$84,050). For three of these projects, additional funding to cover the overages was appropriated to 2006-2007 in error. For the remaining two projects, budget adjustments were not processed prior to the close of the fiscal year as originally anticipated.

PUBLIC OUTREACH

Not applicable.

COORDINATION

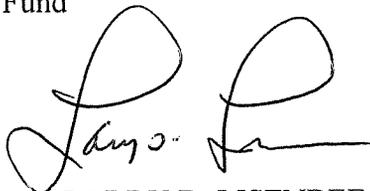
This memorandum was coordinated with the Finance Department, Public Works Department, Transportation Department, and the Office of the City Attorney.



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 2005-2006 moneys in excess of those heretofore appropriated there from:

Construction and Conveyance Tax Funds	\$ 3,653,767
Convention and Cultural Affairs Fund	516,797
Redevelopment Capital Projects Fund	84,050



LARRY D. LISENBEE
Budget Director

ATTACHMENT A

Construction and Conveyance Tax Funds

\$ 3,653,767

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 is recommended. 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.

Convention and Cultural Affairs Fund

516,797

As noted above, the Team San José 2005-2006 Non-Personal/Equipment appropriation in the Convention and Cultural Affairs Fund level was exceeded at year-end by a total of \$516,797. A significant portion of this overage represented personnel costs budgeted in the Personal Services appropriation, but due to City position vacancies, actually expended for contractual employees and, as a result, charged to the Non-Personal/Equipment appropriation. This portion of the overage can be entirely offset by a transfer of the resulting savings from the Personal Services appropriation (\$302,786). The remainder of the overage resulted from accrual of a higher than previously estimated Accounts Payable balance. This portion of the overage can be offset without the use of fund balance in the Convention and Cultural Affairs fund through the certification of additional Team San José revenue collections in 2005-2006 which ended the year in excess of the budgeted amount.

Redevelopment Capital Projects Fund

84,050

An appropriation adjustment is necessary to recognize over-expenditures which occurred in five projects in the Redevelopment Capital Projects Fund. For three of the five projects (Delmas Park-Sidewalks, Scott Street Streetscape, and Auzerais Streetscape), budget actions to add additional funding to the projects were brought forward on June 27, 2006. However, all of the additional funding was appropriated in the 2006-2007 fiscal year rather than spreading the funding between the 2005-2006 and 2006-2007 fiscal years. As a result, these projects were over-expended by \$55,253 in 2005-2006. Subsequent to the year-end clean-up process, two additional projects (Market and Almaden Pedestrian Lighting and Transit Mall Lighting) experienced overages totaling \$28,797. Budget actions to recognize additional funding for these projects and the associated increases to the projects did not occur before the end of the fiscal year as originally anticipated, resulting in these overages. This budget action ratifies a total of \$84,050 for the five projects with overages in 2005-2006. Budget adjustments will be brought forward in 2006-2007 to true-up all of the project budgets with the revenues.

TOTAL

\$4,254,614