



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: November 2, 2004

Approved

Ray Whiles

Date

11/3/04

**SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN
VARIOUS APPROPRIATIONS FOR FY 2003-2004**

RECOMMENDATION

It is recommended that the City Council adopt an ordinance ratifying the final 2003-2004 appropriation increases detailed in this report.

BACKGROUND

As part of the process of completing the 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 appropriation increases necessitated because final 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 2004 for the 2003-2004 fiscal year. A number of known potential overruns were avoided as a result of the actions taken in that document.

Attachment A describes the 2003-2004 appropriations that were exceeded for all City funds. The total amount involved for sixteen funds is approximately \$9.4 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 part of the \$9.4 million (approximately \$8.7 million) is actually good news as they relate to over-expenditures which occurred in the Transfer appropriations of the Construction and Conveyance Tax Funds as a result of higher than anticipated revenues. The majority of the remainder (\$0.7 million) reflects adjustment necessary to respond to an audit recommendation from the City's outside auditors to develop a more equitable Public Works cost allocation methodology for implementation in 2003-2004. The impact of the required adjustments on specific City Funds was not known at the time the 2003-2004 budget was developed, which caused some expenditures to exceed budgeted appropriations. The overall impact of these adjustments, on the City as a whole, however, was a net zero transaction.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum was coordinated with the Finance 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	\$ 8,696,181
General Fund	197,637
San José/Santa Clara Treatment Plant Capital Fund	132,849
Branch Libraries Bond Projects Fund	122,460
Parks & Recreation Bond Projects Fund	79,663
Parks Central C & C Tax Fund	41,279
Services for Redevelopment Capital Projects Fund	40,500
Neighborhood Security Act Bond Fund	31,387
Water Utility Capital Fund	28,206
Park Trust Fund	14,384
Sewer Service & Use Charge Fund	9,832
Vehicle Maintenance and Operations Fund	5,692
Convention and Cultural Affairs Fund	3,735
Airport Maintenance and Operation Fund	3,569
Civic Center Construction Fund	2,226
Park Yards Maintenance C & C Tax Fund	1,028



LARRY D. LISENBEE
Budget Director

ATTACHMENT A

Construction and Conveyance Tax Funds

\$ 8,696,181

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 appropriation levels to be exceeded.

Neighborhood Security Act Bond Fund

26,419

A technical adjustment to recognize the over-expenditures that occurred in the non-personal/equipment appropriation as a result of higher than anticipated expenditures for Fire Bond Program Management. This caused budgeted appropriation levels to be exceeded.

Vehicle Maintenance and Operations Fund

5,692

A technical adjustment to recognize over-expenditures related to the Worker's Compensation Claims appropriation. Amounts budgeted were not adequate to reflect the actual expenditures for workers' compensation claims. This caused the budgeted appropriation level to be exceeded.

Convention and Cultural Affairs Fund

3,735

A technical adjustment to recognize over-expenditures related to the Worker's Compensation Claims appropriation. Amounts budgeted were not adequate to reflect the actual expenditures for workers' compensation claims. This caused the budgeted appropriation level to be exceeded.

Various Funds

678,601

In response to an audit recommendation from the City's outside auditors, during the Comprehensive Annual Financial Report for the Year Ended June 30, 2002, the City reviewed ways to develop a more equitable cost allocation methodology that measures and allocates the relative benefit of administrative efforts received by each program that utilizes services from the Department of Public Works. In answer to the outside auditor's follow-up report on audit recommendations for the year ended June 30, 2003, the City Council endorsed the City's plan to develop a more equitable Public Works cost allocation methodology for implementation in 2003-2004. Public Resource Management Group (PRM), an expert consultant on cost allocation plans, was hired to develop an equitable plan for the City, which was implemented at the end of 2003-2004. This action caused budgeted appropriation levels to be exceeded in a number of funds.

<u>General Fund</u>	\$ 197,637
<u>San José/Santa Clara Treatment Plant Capital Fund</u>	132,849
<u>Branch Libraries Bond Projects Fund</u>	122,460
<u>Parks & Recreation Bond Projects Fund</u>	79,663
<u>Parks Central C & C Tax Fund</u>	41,279
<u>Services for Redevelopment Capital Projects Fund</u>	40,500
<u>Water Utility Capital Fund</u>	28,206
<u>Civic Center Construction Fund</u>	2,226
<u>Park Trust Fund</u>	14,384
<u>Sewer Service & Use Charge Fund</u>	9,832
<u>Neighborhood Security Act Bond Fund</u>	4,968
<u>Airport Maintenance and Operation Fund</u>	3,569
<u>Park Yards Maintenance C & C Tax Fund</u>	1,028

TOTAL **\$9,410,628**