



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: October 3, 2011

Approved

Date

10/6/11

COUNCIL DISTRICT: City-wide

SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN VARIOUS APPROPRIATIONS FOR 2010-2011 AND ADOPTION OF THE ASSOCIATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN 2010-2011

RECOMMENDATION

It is recommended that the City Council:

1. Adopt an ordinance ratifying the final 2010-2011 appropriation increases detailed in this report.
2. Adopt the following 2010-2011 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 \$885,672;
 - b. Increase the Transfer to Council District 1 by \$57,741;
 - c. Increase the Transfer to Council District 2 by \$40,952;
 - d. Increase the Transfer to Council District 3 by \$48,894;
 - e. Increase the Transfer to Council District 4 by \$32,000;
 - f. Increase the Transfer to Council District 5 by \$70,207;
 - g. Increase the Transfer to Council District 6 by \$53,975;
 - h. Increase the Transfer to Council District 7 by \$53,323;
 - i. Increase the Transfer to Council District 8 by \$58,098;
 - j. Increase the Transfer to Council District 9 by \$50,398;
 - k. Increase the Transfer to Council District 10 by \$35,292;
 - l. Increase the Transfer to City-Wide by \$250,940; and
 - m. Increase the Transfer to the General Fund – Parks Eligible Maintenance Costs by \$133,852.

3. Adopt the following 2010-2011 Appropriation Ordinance amendments in the Home Investment Partnership Program Trust Fund:
 - a. Increase the Multi-Family Loans & Grants appropriation by \$44,428; and
 - b. Decrease the Ending Fund Balance estimate by \$44,428.

4. Adopt the following 2010-2011 Appropriation Ordinance amendments in the Multi-Source Housing Fund:
 - a. Increase the CalHome Program (BEGIN) appropriation by \$428,746; and
 - b. Decrease the Ending Fund Balance estimate by \$428,746.

5. Adopt the following 2010-2011 Appropriation Ordinance amendments in the Vehicle Maintenance and Operation Fund:
 - a. Increase the Inventory Purchases appropriation by \$263,116; and
 - b. Decrease the Ending Fund Balance estimate by \$263,116.

OUTCOME

The recommended actions account for the over-expenditures that occurred at the end of fiscal year 2010-2011 and allow the final financial accounting for 2010-2011 to be completed.

BACKGROUND

As part of the process of completing the 2010-2011 fiscal year-end audit, final expenditures and encumbrances recorded by the Finance Department have been compared to the 2010-2011 budget to determine whether the expenditures were within appropriation levels as adopted and amended by the City Council. In this report, City Council approval is requested for several appropriation increases as final 2010-2011 expenditure totals exceeded final 2010-2011 modified budget appropriation levels.

ANALYSIS

As part of the year-end closing process, certain expenses not previously anticipated 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 actions.

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, year-end budget adjustments were prepared and brought to City Council for approval by the Budget Office in June 2011 for the 2010-2011 fiscal year. A number of potential overruns were avoided as a result of the recommended actions identified in that document as approved by the City Council.

The Administration manages approximately 1,800 appropriations allocated to over 100 City funds. In 2010-2011, appropriations were exceeded in four City funds as described in Attachment A. The total amount for the four funds involved is \$1,621,962 and includes the following: the Transfer appropriations of the Parks Construction and Conveyance Tax Fund - Central Fund (\$885,672); the Multi-Family Loans & Grants appropriation in the Home Investment Partnership Program Trust Fund (\$44,428); the CalHome Program (BEGIN) appropriation in the Multi-Source Housing Fund (\$428,746); and the Inventory Purchases appropriation in the Vehicle Maintenance and Operation Fund (\$263,116). In each of these four funds, additional revenue or Ending Fund Balance is available to offset the exceeded appropriations.

EVALUATION AND FOLLOW-UP

The ratification of exceeded appropriations will be incorporated into the City's Comprehensive Annual Financial Report for fiscal year 2010-2011.

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 recommendation does not meet any of the criteria listed above, however the memorandum will be posted on the City's internet website for the October 18, 2011 Council Agenda.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

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

HONORABLE MAYOR AND CITY COUNCIL

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COST SUMMARY/IMPLICATIONS

As discussed in the memorandum, additional revenue or ending fund balance is available to offset the exceeded appropriations for 2010-2011.

CEQA

Not a project, File No. PP10-67(b), Appropriation Ordinance.



JENNIFER A. MAGUIRE
Budget Director

For questions, please contact Walter C. Rossmann, Assistant Budget Director, at (408) 535-8188.

I hereby certify that there was available for appropriation in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund in fiscal year 2010-2011 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$885,672:



JENNIFER A. MAGUIRE
Budget Director

ATTACHMENT A

Construction and Conveyance Tax Funds:

\$885,672

A technical adjustment is necessary to account for the over-expenditures that occurred in the Transfer appropriations of the Parks Construction and Conveyance Tax Fund - Central Fund 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 slightly above the budgeted level, the transfer appropriations that were used to distribute this revenue to the other funds were also exceeded. The funding allocated for each of the ratification actions is offset by the additional Parks Construction and Conveyance Tax Fund revenue.

Home Investment Partnership Program Trust Fund:

44,428

An appropriation adjustment is necessary to account for over-expenditures that occurred in the Multi-Family Loans & Grants appropriation in the Home Investment Partnership Program Fund. This appropriation accounts for loans and grants made with the federal HOME program to build, buy, and/or rehabilitate affordable housing for rent or homeownership. This is a multi-year grant program for which anticipated grant funds and the corresponding Multi-Family Loans & Grants are appropriated on an annual basis. As part of the 2010-2011 Year-End Clean-Up Memorandum that was approved by the City Council on June 21, 2011, a downward adjustment to the appropriation was recommended; however, the actual year-end expenditures were higher than estimated. Initially, it was anticipated that due to delays, expenditures related Kings Crossing Housing would be booked in 2011-2012, however, these issues were resolved prior to closing of the 2010-2011 fiscal year and recorded in 2010-2011. A corresponding action in the 2010-2011 Annual Report recommends reducing the rebudget by \$44,428.

Multi-Source Housing Fund:

428,746

An appropriation adjustment is necessary to account for over-expenditures that occurred in the CalHome Program (BEGIN) appropriation in the Multi-Source Housing Fund. The program funded through this appropriation provides deferred payment loans for low- and moderate-income persons or families purchasing homes in targeted developments. As part of the 2010-2011 Year-End Clean-Up Memorandum that was approved by the City Council on June 21, 2011, a downward adjustment to the appropriation was recommended based on fewer applicants who qualified for this loan throughout the fiscal year; however, the actual year-end expenditures were higher than estimated as a result of unanticipated demand for this program late June 2011. A corresponding action in the 2010-2011 Annual Report recommends reducing the rebudget by \$428,726.

ATTACHMENT A (CON'T.)

Vehicle Maintenance and Operations Fund:

263,116

An appropriation adjustment is necessary to account for over-expenditures that occurred in the Inventory Purchases appropriation in the Vehicle Maintenance and Operations Fund. This appropriation accounts for the purchase of fuel and parts/supplies for the maintenance and operations of the City's fleet. The 2010-2011 Modified Budget assumed a lower than average price per gallon for fuel than was experienced in 2010-2011. In recognition of these higher prices, an additional \$500,000 was added in June 2011, however, that level of funding was not a sufficient amount resulting in the appropriation to be exceeded. Ending Fund Balance in the Vehicle Maintenance and Operations Fund is available to offset the exceeded appropriation.

TOTAL \$1,621,962