

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 05/18/2011

ORIGINATING DEPARTMENT: Financial Management

SUBJECT: Amend the Fiscal Year 2010 Year-End Budget Adjustments Ordinance O-19964.

COUNCIL DISTRICT(S): All

CONTACT/PHONE NUMBER: Angela Colton/65988 MS8A

DESCRIPTIVE SUMMARY OF ITEM:

Amend the Fiscal Year 2010 Year-End Budget Adjustments Ordinance O-19964 to authorize the Chief Financial Officer to increase department appropriations from appropriate available sources and to make any adjustments and fund transfers necessary to reconcile Fiscal Year 2010 department appropriations to the expenditures incurred in Fiscal Year 2010.

STAFF RECOMMENDATION:

Approve the requested action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

Background:

City Charter Section 84 requires expenditures to be covered by legal appropriations as set forth in the annual Appropriation Ordinance. The Fiscal Year 2010 Appropriation Ordinance sets legal spending authority for each department. These requirements apply to year-end expenditure amounts even though all spending is completed and actual results cannot be changed.

Appropriation adjustments needed to meet these fiscal year-end requirements are requested in May prior to the end of the fiscal year in the Year-End Budget Monitoring Report issued by Financial Management. These adjustments needed to modify department budgets to meet Charter requirements are implemented as the books are closed for the fiscal year.

The authority to adjust department budgets was requested by Financial Management and authorized by City Council at the end of Fiscal Year 2010 to close the books. However, the authority was restricted to a 2 percent adjustment above the budget. As a result, the adjustments cannot be made since certain department's actual expenditures exceed this range. Additionally, the closing of Fiscal Year 2010 has been delayed due to the correction of labor postings required to finalize Fiscal Year 2010 expenditure amounts. Consequently, this request for Fiscal Year 2010 is being presented to City Council this late in the year. The Fiscal Year 2010 Year-End Performance Report issued by the Office of the City Comptroller on May 18, 2011 provides unaudited financial activity by department. The adjustments requested in this action are to meet these legal requirements to increase appropriations to cover expenses that have already occurred.

As a note, the Fiscal Year 2011 Year-End Budget Monitoring Report has been docketed and includes the request for these required budget adjustments for Fiscal Year 2011. Authority is requested to make these technical adjustments as the Fiscal Year 2011 books are closed to

comply with City Charter requirements. It is important to understand that these are technical adjustments made in closing the fiscal year and do not provide for any new or additional spending authority in any department.

Action Requested:

The Fiscal Year 2010 Year-End Budget Adjustments Ordinance, approved by City Council in June 2010, authorized appropriation increases up to 2 percent of a department's budget (except Police and Fire which had no limit) for unforeseen needs. The McGuigan settlement was not taken into account when the Fiscal Year 2010 year-end projections were developed. While this is a cost neutral adjustment because the loan proceeds (revenue) from Bank of America offset the expense, it has caused the Fiscal Year 2010 expenditures of some departments to exceed budget by more than 2 percent. Due to the delays in closing Fiscal Year 2010, data has only recently become available to identify departments exceeding the 2 percent.

It is requested to modify the authority previously granted to allow appropriations to be increased to an amount sufficient to cover the expenses incurred in Fiscal Year 2010. This is a clean-up action as the expenses have already occurred. This action would ensure that all expenditures for Fiscal Year 2010 are supported by legal appropriation authority for each City department in compliance with the City Charter and Fiscal Year 2010 Appropriation Ordinance. A summary of departments with expenses exceeding budget by more than 2 percent and the causes is provided below.

General Fund

City Comptroller - McGuigan settlement

Ethics Commission - McGuigan settlement

Financial Management – McGuigan settlement, fringe benefits, overtime and annual leave payout

Human Resources - McGuigan settlement

Independent Budget Analyst – McGuigan settlement, fringe benefits and annual leave payout

Mayor and Chief Operating Officer – McGuigan settlement and annual leave pay

Personnel - McGuigan settlement

Storm Water – 1) McGuigan settlement and 2) The Fiscal Year 2010 revised budget and projections were based on prior year spending trends; however, the department exceeded projections mainly due to the Tijuana River Valley Emergency Clean Up and San Diego Bay Sediment Analysis.

Non-General Funds

QUALCOMM Stadium Operating Fund – Chargers rent credit for the 2009 season and McGuigan settlement

Underground Surcharge Fund – increase in undergrounding project work performed by SDG&E and McGuigan settlement

Central Stores Fund – inventory purchases (including contractual encumbrances) and McGuigan settlement

Publishing Services Fund – contracts (including encumbrances) and McGuigan settlement

FISCAL CONSIDERATIONS:

None, as these expenses have already occurred. The adjustments modify appropriations to meet legal requirements.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):

Ordinance O-19964 amending the Fiscal Year 2010 Appropriation Ordinance O-19887 was passed on June 22, 2010.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Originating Department

Deputy Chief/Chief Operating Officer