

DATE ISSUED: June 12, 2002

REPORT NO. 02-113

ATTENTION: Honorable Mayor and City Council
Docket of June 18, 2002

SUBJECT: Fiscal Year 2002 Year-End Budget Adjustments

SUMMARY

Issues:

1. Should the City Council accept the Fiscal Year 2002 Year-End Budget Adjustments Report?
2. Should the City Council authorize the City Auditor and Comptroller to:
 - a. Amend the Fiscal Year 2002 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$2,279,943 from revenues received in excess of estimates and increase Non-General Fund appropriations up to the amount of \$743,855 from fund balance or reserves for the Workers' Compensation Fund which has incurred expenses in excess of the budgeted amount. \$3,023,798 total is necessary to cover higher Workers' Compensation costs;
 - b. Amend the Fiscal Year 2002 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$386,404 from revenues received in excess of estimates. More specifically, \$169,404 for fingerprinting and background checks, \$67,000 for the Transportation Alternatives Program (TAP) expenses, and \$150,000 to replace chiller coils in the City Administration Building;
 - c. Appropriate, transfer and carryover within the General Fund, certain sums between departments and programs, and between various other funds, as specified and set forth in the City Manager's Budget Adjustment Report; Transfer General Fund monies between departments to offset projected department deficits and to the Allocated Reserve to fund projects that will not be completed in the current fiscal year;
 - d. Transfer monies within and between funds, increase budgets, add projects, and authorize expenditures for the purposes specified in this report;
 - e. Amend the Fiscal Year 2002 budget to increase appropriation of contributing funds from appropriate available sources; and
 - f. Make any additional appropriation adjustments and fund transfers that may be necessary to reconcile revenues to expenditures?

Manager's Recommendations:

1. Accept the Fiscal Year 2002 Year-End Budget Adjustments Report.
2. Authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.

Other Recommendations: None

Fiscal Impact: General Fund appropriations will be increased up to \$2,666,347 utilizing revenues in specific revenue accounts that are in excess of budgeted amounts. Transfers from current year appropriations of approximately \$594,509 will be carried forward to Fiscal Year 2003 for various departments.

BACKGROUND

The primary purpose of this report, commonly referred to as the “Fourth Quarter Adjustment”, is to identify the financial transactions needed to balance all funds prior to the conclusion of the fiscal year. In addition, authorization to continue specific Fiscal Year 2002 budget appropriations into Fiscal Year 2003, for certain projects which could not be completed, is necessary.

Overall, General Fund revenues have not met budget estimates due to a slow economy and the events of September 11, 2001. As a result, most General Fund departments identified two percent savings within their respective Fiscal Year 2002 budgets to offset these revenue shortfalls. This Budgetary Savings Plan provided approximately \$10 million in General Fund savings.

DISCUSSION

Fourth Quarter Adjustments

A. Increase of Departmental Allotments (General Fund)

Workers' Compensation - \$2,279,943

Overall, departments have provided services within their budgeted appropriations; however, in the Workers' Compensation Fund, expenditures for Fiscal Year 2002 are \$3,023,798 higher than anticipated due to a continuation of escalating Workers' Compensation costs in California in recent years resulting in a rate adjustment. Of this amount, \$2,279,943 is General Fund and \$743,855 is Non-General Fund. According to the California Workers' Compensation Institute (CWCI), the 1993 Workers' Compensation legislative reform has led to unintended consequences. This study of the legislation concludes that it has resulted in an escalation of litigation, claim duration and medical services costs.

It is requested that the Mayor and City Council authorize the City Auditor and Comptroller to increase the General Fund and other contributing funds a total of \$3,023,798 for necessary rate increases to cover the Workers' Compensation deficit. For further detail regarding the escalating Workers' Compensation costs, refer to Attachment A.

Personnel - \$169,404

During the Fiscal Year 2002 the Personnel Department with the concurrence of the City Manager expanded its fingerprinting and background checks in order to bolster security in the aftermath of the events of September 11, 2001. The department's budget needs to be adjusted due to this higher level of

service provided.

Transportation/Traffic Engineering - \$67,000

Funding for the Transportation Alternatives Program (TAP) expenses due to an increase in citywide participation by 2% and increasing cost for transportation passes.

General Services/Facilities - \$150,000

Funding to replace the coils in the chiller system at the City Administration Building.

B. Addition of Projects

Capital Improvement Projects

Authorizing the addition of CIP 29-616.0, Normal Heights Park Acquisition and CIP 29-617.0, Del Mar Mesa Multiple Species Conservation Program Acquisition, to the Fiscal Year 2002 Capital Improvements Program.

These two new projects are being added to the Fiscal Year 2002 Capital Improvements Program Budget in accordance with Resolution R-296190, adopted March 18, 2002. As a result of this action, federal, state, and local funding previously authorized for Multiple Species Conservation Program land acquisition in Del Mar Heights and Normal Heights will be incorporated into the Capital Improvements Program.

C. Transfers to the Allocated Reserve (General Fund)

Certain General Fund projects are in progress that cannot be completed during the current fiscal year. Therefore, funds budgeted in the current fiscal year need to be carried over to complete these projects in Fiscal Year 2003. It is requested that the Mayor and City Council authorize the City Auditor and Comptroller to transfer these budgeted funds to the Allocated Reserve contingent upon sufficient appropriation savings being available at the conclusion of the fiscal year. The specific projects are as followed:

Ethics Commission - \$25,000

Funding for consultant services to provide ethics training to City personnel, the Mayor and Council and their staffs, the City Attorney, and members of boards and commissions.

Planning - \$269,509

Funding for the Multiple Species Conservation Program (MSCP) Priority Land Acquisitions (\$119,509). These funds will be placed in CIP 37-443.0 (MSCP – Property Acquisition). Funding for the Storm Water Environmental Impact Report (EIR) (\$150,000) for the hiring of a consultant to prepare the draft Storm Water EIR in accordance with the California Environmental Quality Act. These funds will also be used to initiate an amendment to the City's Progress Guide and General Plan that will provide water conservation, water quality, and the water supply element.

Fire - \$200,000

Funding for the helicopter program will be carried forward to Fiscal Year 2003. The City of San Diego is in the process of acquiring funding for a regional helicopter program.

Mayor - \$100,000

Transfer up to \$100,000 from the Mayor's budget to the Allocated Reserve Fund for the Outreach/Promotion Program portion of the Urban Forestry Program.

D. Carryover of Non-General Fund Projects Budgeted in Fiscal Year 2002

Water - \$1,012,000

Authorize the City Auditor and Comptroller to carry over up to \$1,012,000 budgeted in Fiscal Year 2002 Water Fund (41500) for Employee Roster Enhancements, which maintains employee identification, certifications and Department of Transportation information (\$125,000); SPLASH (System Planning and Locator Application for Sewer and Hydrographic) enhancements that will provide mapping functionality and maintain the geographic infrastructure of all water, sewer and reclaimed facilities (\$75,000); Enterprise Security System (water applications) which is a centralized software application that administers database, applications and object level security for client server database applications (\$125,000); Reclaimed Water System that will provide the management and maintenance tracking of the transmission and distribution system for reclaimed water within the Water Department (\$100,000); Water Modeling, which is a dynamic model of the City's water distribution system containing information about facilities, their settings, information relevant to the performance of the distribution system and long range planning (\$87,000); watershed Mapping, which will create guidelines for development within watershed areas. This is in response to the Stormwater Regulations and Watershed Management requirements (\$350,000) and Water Human Resources System that provides employee data tracking and history for training, performance evaluations, discipline, and leave (\$150,000). In light of delays in the completion of the water rate case, this carryover is due to deferral of the aforementioned projects to maintain adequate cash flow.

E. Gas Tax Fund

Authorize the City Auditor and Comptroller to appropriate and expend up to \$60,000 from Gas Tax fund balance due to the transfer of State Highways 209 and 274 from CALTRANS to the City of San Diego for the Planning Department to cover .50 of a Senior Traffic Engineering position for Fiscal Year 2002.

CONCLUSION

Each year the Year-End Adjustment Report is submitted to identify the financial transactions needed to balance all funds prior to the conclusion of the fiscal year and to authorize the continuation of the fiscal year budget appropriations into the next fiscal year for certain projects, which were not able to be completed. It is recommended that the Mayor and City Council accept this report and authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.

Respectfully submitted,

Lisa Irvine

Approved: Michael T. Uberuaga

Financial Management Director

City Manager

FRAZIER/IRVINE/AYM

[Attachment A: Workers' Compensation Memo Dated June 11, 2002](#)