

REPORT FOR ITEMS-605 AND 336

DATE ISSUED: May 29, 2003 **REPORT NO.** 03-112

ATTENTION: Honorable Mayor and City Council
Docket of June 2, 2003

SUBJECT: Fiscal Year 2003 Year-End Budget Adjustments

SUMMARY

Issues:

1. Should the City Council accept the Fiscal Year 2003 Year-End Budget Adjustments Report?
2. Should the City Council authorize the City Auditor and Comptroller to:
 - a. Amend the Fiscal Year 2003 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$3,312,918 from revenues received in excess of estimates and/or expenditure savings, and increase Non-General Fund appropriations up to the amount of \$898,945 from fund balance or reserves for the Workers' Compensation Fund which has incurred expenses in excess of the budgeted amount. The net amount necessary to cover higher Workers' Compensation costs is \$4,211,863;
 - b. Amend the Fiscal Year 2003 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$4,454,000 as identified on page 3 of this report, from revenues received in excess of estimates and various fund transfers previously approved by the City Council on February 25, 2003;
 - 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 this report;
 - d. 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;

- e. Transfer monies within and between funds, increase budgets, add projects, and authorize expenditures for the purposes specified in this report;
- f. Amend the Fiscal Year 2003 budget to increase appropriation of contributing funds from appropriate available sources; and
- g. 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 2003 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 \$7,766,918 within specific departments utilizing expenditure savings, revenues received in excess of estimates and various fund transfers previously approved by the City Council on February 25, 2003. Transfers from current year appropriations of approximately \$60,000 will be carried forward to Fiscal Year 2004.

BACKGROUND

In the Fiscal Year 2003 Financial Review and Status Report presented on February 25, 2003, we identified revenue sources and fund transfers to be used to balance the General Fund. In addition, as was outlined in that report, the Fiscal Year 2003 General Fund revenues have not met budget estimates due to a slow economy because of the decline in consumer confidence and business spending. As a result, most General Fund departments identified three percent or more savings within their respective Fiscal Year 2003 budgets to offset these revenue shortfalls.

While the General Fund is overall in balance, there are still some financial transactions that need to occur for the General Fund and other City funds to be wholly reconciled by each department and fund. The primary purpose of this report, commonly referred to as the “Fourth Quarter Adjustment”, is to provide authorization to the City Auditor and Comptroller to balance each department and fund as necessary. In addition, this report seeks the authorization to continue Fiscal Year 2003 budget appropriations into Fiscal Year 2004 for a specific project which could not be completed during Fiscal Year 2003.

DISCUSSION

Fourth Quarter Adjustments

- A. Workers’ Compensation

- Overall, departments have provided services within their budgeted appropriations; however, as reported in the February Financial Review and Status Report, the Workers' Compensation Fund expenditures for Fiscal Year 2003 were estimated to be \$6 - \$8 million higher than anticipated due to a

WORKERS' COMPENSATION	
Fiscal Year 2003	
Fund	Amount
General Fund	\$3,312,918
Development Services	\$38,962
Emergency Medical Services/MTS Fund	\$43,561
Engineering and Capital Projects	\$17,459
Environmental Services - Recycling	\$33,655
Environmental Services - Refuse Disposal	\$45,666
General Services	\$81,150
Golf Course	\$18,266
Qualcomm Stadium	\$28,911
Risk Management	\$4,907
Sewer	\$256,699
Street Division Operating	\$124,139
Water	\$205,570
Total Approximate Deficit	\$4,211,863

continuation of escalating Workers' Compensation costs in California. After several transfers were completed, a net balance of \$4,211,863 remains. Of this amount, \$3,312,918 is General Fund and \$898,945 is Non-General Fund. It is requested that the City Council authorize the City Auditor and Comptroller to increase the General Fund and other contributing fund appropriations a total of \$4,211,863 to cover the net Workers' Compensation deficit.

B. Increase of Departmental Allotments (General Fund)

- Environmental Services/Refuse Collection - \$1,200,000*
Increase General Fund appropriations to \$1,200,000 for Environmental Services/Refuse Collection due to the refuse collection tonnage being higher than anticipated. The transfer of funds to cover these expenditures was previously approved by the City Council on February 25, 2003.
- San Diego Fire - Rescue Department(SDFD) - \$2,300,000*
Increase General Fund appropriations to \$2,300,000 for operation services in SDFD. The transfer of funds to cover these expenditures was previously approved by the City Council on February 25, 2003.
- Transportation - \$954,000*
The Transportation Department has a total shortfall of \$954,000, of which \$408,000 from the Vehicle Replacement Fund will be used to mitigate a portion of the \$954,000 shortfall leaving a balance of \$546,000 which will be mitigated by revenues received in excess of estimates. The Department's shortfall is due to unanticipated costs such as those associated with community requests for parking improvements, such as installation of parking meters, distribution of parking permits, installation of street signs, and street striping.

C. Transfer to the Allocated Reserve (General Fund)

A General Fund project is 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 this project in Fiscal Year 2004. It is requested that the 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 project is as follows:

- *City Clerk - \$60,000*
Funding to upgrade Bar Code System. The Records Center Bar Code System is failing and San Diego Data Processing Corporation has been working to upgrade the system. These funds will be used along with Fiscal Year 2004 budgeted funds to upgrade the Bar Code System.

D. Transfers within Non-General Funds

- *Metropolitan Wastewater - \$168,238*
Transfer excess appropriations in the amount of \$168,238 from the Capital Improvements Program (CIP) project Trucked Liquid Waste Disposal No. 45-910.1 to CIP project Metro System Operations Center No. 45-920.1.

E. Carryover of Non-General Funds Projects Budgeted in Fiscal Year 2003

- *Transportation/Streets Division - \$43,678*
Authorize the City Auditor and Comptroller to carryover \$43,678 from the Streets Division's budget for the Outreach/Education component of the Community Urban Forestry Program which will be available to expend during Fiscal Year 2004.

CONCLUSION

Each year the Year-End Budget Adjustments 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 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
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

FRAZIER/IRVINE/AYM