

DATE ISSUED: May 18, 2004

REPORT NO. 04-109

ATTENTION: Honorable Mayor and City Council
Docket of May 24, 2004 and May 25, 2004

SUBJECT: Fiscal Year 2004 Year-End Budget Adjustments

SUMMARY

Issues:

1. Should the City Council accept the Fiscal Year 2004 Year-End Budget Adjustments Report?
2. Should the City Council authorize the City Auditor and Comptroller to:
 - a. Amend the Fiscal Year 2004 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$2,927,095 from revenues received in excess of estimates and/or expenditure savings, and increase Non-General Fund appropriations up to the amount of \$893,425 from fund balance or reserves for the Workers' Compensation Fund and Long Term Disability Fund which have incurred expenses in excess of budgeted amounts. The net amount necessary to cover higher Workers' Compensation and Long Term Disability costs is \$3,820,520;
 - b. Amend the Fiscal Year 2004 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$13,595,000 as identified on page four of this report, from revenues received in excess of estimates and fund transfers;
 - 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 Annual Fiscal Year 2004 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 2004 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 by \$16,522,095 within specific departments utilizing expenditure savings, revenues received in excess of estimates and fund transfers. Transfers from current year appropriations of approximately \$120,000 will be carried forward to Fiscal Year 2005.

BACKGROUND

In the Fiscal Year 2004 and 2005 Financial Review and Status Report presented in March 2004, the City Manager identified revenue sources and department savings to be used to balance the General Fund. While most significant General Fund revenue sources have met or exceeded the budget, the overall Fiscal Year 2004 General Fund revenues have not met budget estimates due to a loss of approximately \$13.9 million in Motor Vehicle License Fees (VLF) backfill revenue due to State action. As a result, most General Fund departments identified up to five percent of savings within their respective Fiscal Year 2004 budgets to offset these revenue shortfalls. Additionally, the State has reported that the City will lose an additional \$2.9 million in VLF revenue in the last three months of Fiscal Year 2004 due to the shift of revenue to counties for funding Health and Welfare Program realignments. The additional \$2.9 million in lost VLF revenue will be covered by other General Fund revenues in excess of estimates.

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 2004 budget appropriations into Fiscal Year 2005 for specific projects which could not be completed during Fiscal Year 2004.

DISCUSSION

Fourth Quarter Adjustments

A. Appropriate \$2,300,000 in unbudgeted revenue due to the Civic Center Building Plaza settlement. Revenue was received by the City as a result of the settlement in a lawsuit for overcharges to the City in the Civic Center Plaza Building.

B. Transfer of \$500,000 from the Nuisance Abatement Fund. This Fund provides funding necessary to cover up-front costs of abatement of unsound buildings and/or boarding and securing of such structures. The General Fund contributes \$49,284 to the Nuisance Abatement Fund on an annual basis and additional costs are recovered through liens against the private properties involved. Due to successful actions initiated by the City for recovery of costs, the balance in the Nuisance Abatement Fund has grown to \$690,699. It is requested that the City Council authorize the City Auditor and Comptroller to transfer \$500,000 from the Nuisance Abatement Fund to the General Fund.

C. Workers' Compensation and Long Term Disability

- Workers' Compensation and Long Term Disability costs in California continue to grow at an extraordinary rate. Despite an improved safety record and a modest reduction in claims, the City's self-insured Workers' Compensation system has experienced double digit increases in costs. Overall, departments have provided services within their budgeted appropriations; however, as reported in the March Financial Review and Status Report, the Workers' Compensation and Long Term Disability

expenditures for Fiscal Year 2004 were estimated to be \$4 million higher than anticipated. This is primarily due to legislative policies in Sacramento and increased medical costs. It is requested that the City Council authorize the City Auditor and

| WORKERS' COMPENSATION & LONG TERM DISABILITY IMPACTS | |
|---|--------------------|
| Fiscal Year 2004 | |
| Fund | Amount |
| General Fund | \$2,927,095 |
| Development Services | \$76,097 |
| Emergency Medical Services/MTS Fund | \$33,312 |
| Engineering and Capital Projects | \$35,089 |
| Environmental Services - Recycling | \$28,553 |
| Environmental Services - Refuse Disposal | \$36,891 |
| General Services | \$72,303 |
| Golf Course | \$17,669 |
| Qualcomm Stadium | \$25,592 |
| Risk Management | \$16,481 |
| Sewer | \$219,908 |
| Street Division Operating | \$106,643 |
| Water | \$224,887 |
| Total Approximate Deficit | \$3,820,520 |

Comptroller to increase the General Fund and other contributing fund appropriations by a total of \$3,820,520 to cover the Workers' Compensation and

Long Term Disability deficits. These deficits will be mitigated with department savings and major revenues in excess of estimates.

D. Increase of Departmental Allotments (General Fund)

- *Environmental Services/Refuse Collection - \$1,450,000*
Increase General Fund appropriations by \$1,450,000 for Environmental Services/Refuse Collection due to the refuse collection tonnage being higher than anticipated and increased operation expenses over budgeted amounts. Major General Fund revenues in excess of estimates will be used to mitigate this requirement.
- *Police - \$5,900,000*
Increase General Fund appropriations by \$5,900,000 for operation services and expenses including the April 2004 Academy and Red Light Photo Enforcement Program contractual obligations. Revenue from the Civic Center Building Plaza settlement will cover \$2,300,000 of the appropriation increase. The remaining \$3,600,000 will be mitigated by major General Fund revenues in excess of estimates.
- *San Diego Fire - Rescue Department (SDFD) - \$5,300,000*
Increase General Fund appropriations by \$5,300,000 for operation services including expenses related to the Cedar Fire. Major General Fund revenues in excess of estimates will be used to mitigate this requirement.
- *Transportation - \$945,000*
Increase General Fund appropriations by \$945,000 for operation services and expenses including overtime in the Parking Management Division. Major General Fund revenues in excess of estimates will be used to mitigate this requirement.

E. Transfer to the Allocated Reserve (General Fund)

There are several General Fund projects 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 the projects in Fiscal Year 2005. 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 projects are as follows:

- *City Clerk - \$20,000*
Funding for on-line filing of campaign disclosure statements will be combined with \$20,000 in the Fiscal Year 2005 Proposed Budget. On-line filing will provide greater public access to disclosure documents and will assist the

Clerk's Office as well as the Ethics Commission in reviewing campaign statements.

- *Park and Recreation - \$100,000*
Funding in the amount of \$100,000 is needed to share the cost with the City of Chula Vista and the County of San Diego for a trailer to house park rangers at Otay River Valley Park.

F. Carryover of Non-General Funds Projects Budgeted in Fiscal Year 2004

- *Transportation/Street Division - \$700,000*
Electrical circuit upgrades are necessary in order to keep street lights operating on a daily basis. The Division has committed to upgrading at least one circuit per year. The projects included in this request are the Sunset Cliffs Street Light Circuit Upgrade and the Kensington Manor #1 Street Light Circuit Upgrade.

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: P. Lamont Ewell
City Manager

FRAZIER/IRVINE/LH