



DATE ISSUED: June 15, 2006

REPORT NO: 06-068  
Revised

**THE CITY OF SAN DIEGO**

ATTENTION: Council President and City Council  
Agenda of June 19, 2006

**REPORT TO THE CITY COUNCIL**

SUBJECT: Fiscal Year 2006 Year-End Budget Adjustments

REFERENCE:

REQUESTED ACTION:

1. Accept the Fiscal Year 2006 Year-End Budget Adjustments Report.
2. Authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.

STAFF RECOMMENDATION:

1. The City Council should accept the Fiscal Year 2006 Year-End Budget Adjustments Report
2. The City Council should authorize the City Auditor and Comptroller to:
  - a. Amend the Fiscal Year 2006 Appropriation Ordinance to increase General Fund appropriations up to the amount of \$11.3 million as identified in the discussion section of this report, from Citywide General Fund savings and /or excess revenues;
  - b. Amend the Fiscal Year 2006 Appropriation Ordinance to increase the Non General Fund appropriation for the net amount of \$1.3 million or as necessary to cover QUALCOMM Stadium's Fund deficit;
  - c. 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. Authorize the carryover of Council Districts 1 through 8 available budget of approximately \$245,000 to the Infrastructure Improvement Fund;
  - e. Authorize the carryover of available budget balances from the PC Replacement Fund in Council Districts 1 and 8 in the amount of \$16,500 for Council District 1 and \$27,500 for Council District 8 to the Infrastructure Improvement Fund;
  - f. Authorize adjustment of the Fiscal Year 2006 allocation to Community Parking Districts within the Citywide Program Expenditures budget;
  - g. 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; and
  - h. Amend the Annual Fiscal Year 2006 Budget to increase appropriation of contributing funds from appropriate available sources, and make any additional appropriation adjustments and fund transfers that may be necessary

to reconcile revenues to expenditures, not to exceed one percent of each department's original appropriation above and beyond the aforementioned increases.

**SUMMARY:**

General Fund major revenues have, as an aggregate, outperformed projections, enabling coverage of unanticipated costs with revenues received in excess of budgeted amounts. While the General Fund is in balance overall, there are some financial transactions that need to occur for the General Fund and other City funds to be completely reconciled.

The General Fund Budget adopted in May 2005 was \$864.9 million. As of Period 11 ending dated May 19, 2006, the General Fund fiscal year 2006 budget revised by City Council actions throughout the year was \$895.1 million. The Fiscal Year 2006 Appropriation Ordinance gives the Auditor and Comptroller the authority to appropriate departmental revenues received in excess of budget. Administrative appropriations are projected to be \$12.1 million as outlined in this document. The administrative appropriations by the Auditor and Comptroller (\$12.1 million) and the increase of General Fund appropriations of \$11.3 million will increase the General Fund to \$918.5 million for fiscal year 2006.

Fortunately the City has received revenues in excess of estimates in several categories, as well as savings in certain departments in order to assist in covering these additional expenditures. The following chart shows the breakdown of these mitigation sources.

<b>Fiscal Year 2006 Mitigations (in millions)</b>		
<b>Source</b>	<b>Amount</b>	
Property Tax	\$31.0	
Sales Tax	1.4	
Franchise Fees	(3.5)	
Transient Occupancy Tax	4.2	
Other Revenues	13.6	
Projected Appropriation Savings Net of Carryover	8.1	
<b>Projected Sources</b>	<b>54.8</b>	
<b>Uses</b>		
Public Liability Fund	(12.0)	General Fund
Public Liability Transfer	(0.4)	\$11.3 million,
Department Revenue Appropriated Administratively	(12.1)	mitigations of
Return of Revenues to Water Fund	(2.6)	leaves
<b>Projected Uses</b>	<b>(27.1)</b>	\$16.4 million in
<b>Total</b>	<b>\$27.7</b>	surplus funding,

Increasing the appropriation by with available \$27.7 million, approximately projected

which may or may not be needed for additional unforeseen expenditures by the end of Fiscal Year 2006. Any portion of the \$16.4 million not required as of June 30, 2006 will be placed into the General Fund Unappropriated Reserve.

Throughout the fiscal year, numerous unanticipated expenditure requirements have emerged, including but not limited to external audit, legal counsel and consultant costs associated with the ongoing audit of the Fiscal Year 2003 CAFR and the financial investigations being conducted by the SEC and US Attorney's Office, the funding for which has been previously approved by City Council actions.

The primary purpose of this report, commonly referred to as the "Fourth Quarter Adjustment" is to request that the City Council provide authorization to the City Auditor and Comptroller to balance each department and fund as necessary. In addition, this report seeks the authorization to carryover certain Fiscal Year 2006 budget appropriations into Fiscal Year 2007 for specific projects that could not be completed during Fiscal Year 2006.

## DISCUSSION

### Fourth Quarter Adjustments

- A. QUALCOMM Stadium Fund expenditures are projected to exceed budget by approximately \$1.1 million and to be under-budget in revenues by approximately \$200,000. The overall deficit of approximately \$1.3 million will require an additional transfer from the Transient Occupancy Tax Fund (10220). Several factors are causing this deficit. Personnel expenses are over-expended by approximately \$600,000 for hourly wages, overtime due to staff shortages, and increased benefit expenses. The Chargers' ADA upgrades and services were formerly funded by the City's Liability Fund; however this year are an expense in the Stadium's operating budget and are approximately \$500,000. Additional non-personnel expenses of approximately \$450,000 include more frequent resodding, topdressing, waste removal and equipment maintenance.

Revenues are under budget due to the loss of three events and a decrease in rent revenue.

- B. Increase of Departmental Appropriations

#### *Citywide Program Expenditures*

Transfer \$174,000 to Special Consulting Services from savings in other Citywide programs for the transfer to the Independent Budget Analyst Office (IBA) consistent with O-2006-72. An unbudgeted expense associated with the retention of an actuarial consultant partially depleted the funds identified for this purpose. Savings in other citywide activities will be used to address this requirement.

#### *City Treasurer Financing Services*

Use fringe savings in the City Treasurer Department to offset Financing Services non personnel expense deficit of \$185,000. No net impact to the General Fund.

*Council District 7- An amount of approximately \$30,000 to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$176,000 or as necessary to cover Council District 7 deficit. The deficit will be mitigated by transferring approximately \$30,000 from citywide General Fund savings and/or excess revenues. approximately \$120,000 from Council District 7 Infrastructure Fund and approximately \$26,000 from Council District 7 PC Replacement Fund.

*City Manager/Chief Operating Officer (COO) – An amount of approximately \$900,000 to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General fund appropriation by approximately \$900,000 or as necessary. This change, which was instituted to lend greater transparency to the true costs of City government, will now accurately reflect the costs of the COOs functions. The transformation of the City Managers Office to the new Office of the Chief Operating Officer resulted in personnel related expenditures which were previously allocated to numerous departments to be expensed totally in the Chief Operating Officers budget. The appropriations for these expenses were scattered throughout the City. Corresponding savings have been realized by these other city departments. These savings are included in the \$8.0 million in city wide savings that is outlined in the mitigation schedule.

Additional expenses related to the transition of staff, both resignations and new hires, have added to the over expenditure and include the cash out of vacation time at \$185,000 and additional supply and PC costs at \$130,000 over budget.

*Community and Economic Development – An amount of approximately \$400,000 to be funded from citywide savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$300,000 or as necessary to balance the 6 to 6 program. This funding is required to cover prior year expenses that were later deemed grant ineligible by the State. Deficit will be mitigated by citywide General Fund savings and/or excess revenues.

Increase the General Fund appropriation by \$100,000 to cover upfront expenses for the California Beach Conservancy Grant for Beach Accessibility Improvements. This will be used to purchase and install equipment and temporary infrastructure on city beaches, including temporary wheelchair ramps, motorized beach wheelchairs, and a system of radio transmitters and receivers, to improve access to and on beaches for people with a variety of physical disabilities. Departmental savings and excess revenues will be used to mitigate this requirement. This money will be reimbursed to the General Fund by the California Coastal Conservancy Grant in the beginning of next fiscal year.

*Family Justice Center – An amount of approximately \$100,000 to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$100,000 or as necessary for grant-ineligible expenses that were applied to a grant in Fiscal Year 2005 and had to be reversed and applied to Family Justice Center's Fiscal Year 2006 budget. Citywide General Fund savings and/or excess revenues will be used to mitigate this requirement.

*General Services Facilities Division – An amount of approximately \$2.3 million to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$2.3 million or as necessary for the remodeling of Plaza Hall (\$1.1 million), concourse payments (\$0.25 million), Concourse (\$0.4 million), and maintenance and reroofing of the Development Review Center (\$0.3 million). These unbudgeted expenditures were approved in the first half of the fiscal year. The remaining (\$250,000) is to cover the operating expense deficit. Citywide General Fund savings and/or revenues in excess of estimates will be used to mitigate this requirement.

*Office of Homeland Security – An amount of approximately \$500,000 to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$500,000 or as necessary for unbudgeted grant expenses for which the grant revenue has already been recognized. Citywide General Fund savings and/or excess revenues will be used to mitigate this requirement.

*General Services - Parking Management - An amount of approximately \$1.0 million to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by approximately \$1 million or as necessary for costs associated with overtime, workers compensation, and Long Term Disability. Supplies and services are in deficit due to continued increasing operating costs associated with various items such as postage, processing costs of parking citations, and increased contract costs. Citywide General Fund savings and/or excess revenues will be used to mitigate this deficit.

*San Diego Fire - Rescue Department (SDFD) – An amount of approximately \$5.9 million to be funded from citywide General Fund savings and/or excess revenues.*

Increase the General Fund appropriation by \$5.9 million for operation services including personnel-related costs due to terminal leave payouts, special pay and overtime. Of this amount, \$1.6 million will be mitigated by Federal Emergency Management Agency reimbursement, and the remaining \$4.3 million will be mitigated by citywide General Fund savings and/or excess revenues.

C. *Return of Water Fund Revenues – An amount of approximately \$2.64 million to be funded from citywide General Fund savings and/or excess revenues.*

Consistent with the Mayor's stated commitment in his response to the Grand Jury findings on Service Level Agreements with the enterprise funds, the General Fund

shall return approximately \$2.64 million in water revenues to the Water Fund. These revenues were originally collected from the Water Fund for the following activities:

<b>FY 06</b>	
\$1,700,000	Concessions
\$ 150,000	Reservoir maintenance labor
\$ 190,000	Water pumped into Chollas reservoir
\$ 600,000	Chollas reservoir operations and maintenance
<b>\$2,640,000</b>	Total to be returned to Water Fund by General Fund per Mayor's response to Grand Jury findings

- D. **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 2007. It is requested that the City Council authorize the City Auditor and Comptroller to transfer these budgeted departmental 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:

*Park and Recreation and Community Parks I*

Authorize the carryover of \$50,000 for ADA standards to the allocated reserve.

*Park and Recreation and Developed Regional Parks*

Authorize the carryover of \$200,000 for safety-related repairs to the allocated reserve.

- E. **Transfer to other Funds**  
 The following programs are projected to have remaining balances at the conclusion of the fiscal year. It is recommended that these balances be transferred to the applicable special revenue funds, to be utilized for the purposes for which the funds were created.

*Citywide Program Expenditures*

Authorize the carryover of approximately \$40,000 or any unexpended balance remaining in the Citywide Program Expenditures budget for Small Business Enhancement Program to the Small Business Enhancement Program Fund (10527).

Authorize the carryover of approximately \$12,000 or any unexpended balance remaining in the Citywide Program Expenditures budget for SanGIS to the A List Project Fund (50066).

*Emergency Medical Services Program - \$160,000*

Authorize the carryover of \$160,000 to the EMS/MTS Fund (10246) for Automated External Defibrillators. In accordance with City Manager’s Report #04-153 all savings achieved through re-staffing of SDMSE ambulances will be used to enhance SDMSE operations.

F. Council Districts’ Carryover Amount to their Infrastructure Improvement Fund

Carryover of Council Districts’ General Fund Savings into their Infrastructure Improvement Fund (10529)

Authorize carryover of available budget balances for Council Districts 2, 3, 5 and 6 in the amount of approximately \$245,000 to the Infrastructure Improvement Fund for the purposes of financing capital improvements and major maintenance of streetlights, sidewalks, traffic signals, libraries, park and recreation facilities, and roadways or other purposes as identified by the individual Council Districts.

Council District 2	\$80,000
Council District 3	\$1,000
Council District 5	\$90,000
Council District 6	\$19,000
Council District 8	\$55,000
Total Carryover	\$245,000

Carryover of Council District 1 and 8 PC Replacement Fund balance to their Infrastructure Improvement Fund (10529)

Authorize the transfer of the allocation in PC Replacement Fund for Council District 1 in the amount of approximately \$16,500 to their Infrastructure Improvement Fund for the purposes of financing capital improvements and major maintenance of streetlights, sidewalks, traffic signals, libraries, park and recreation facilities, and roadways or other purposes as identified by the individual Council Districts.

Authorize the transfer of the allocation in PC Replacement Fund of Council District 8 in the amount of approximately \$27,500 to their Infrastructure Improvement Fund for the purposes of financing capital improvements and major maintenance of streetlights, sidewalks, traffic signals, libraries, park and recreation facilities, and roadways or other purposes as identified by the individual Council Districts.

G. Community Parking Districts (CPDs)

Consistent with Council Policy 100-18 “Community Parking District Policy”, which entitles each CPD to 45% of actual parking meter revenues collected within the district, this action will authorize adjustment of the Fiscal Year 2006 allocation to

CPDs within the Citywide Program Expenditures budget. This is necessary to mitigate any difference between the Fiscal Year 2006 allocation and 45% of Fiscal Year 2006 year-end projections for parking meter revenues collected in each of the three CPDs. This reconciliation action will appropriate any parking meter revenues in excess of the Fiscal Year 2006 budget, and transfer them to the Community Parking Meter District funds.

In the event that 45% of actual revenues collected in any District are less than the Fiscal Year 2006 appropriation, the transfer to CPDs will be reduced accordingly.

H. Administrative Actions

The Fiscal Year 2006 Appropriation Ordinance gives the Auditor and Comptroller the authority to appropriate departmental revenues received in excess of budget. The following administrative actions will increase General Fund Appropriations by approximately \$12.1 million or as necessary to cover the unbudgeted expenditures associated with providing services to other departments, funds, or jurisdictions that have generated excess revenues. The following table shows the departments associated with this transfer.

<b>Departmental Revenue Appropriated Administratively</b>	
<b>Department</b>	<b>Departmental Excess Revenue Appropriated</b>
Office of the Chief Operating Officer	\$ 145,000
Community and Economic Development	1,746,000
Governmental Relations	135,000
Financial Management	350,000
Personnel	450,000
Organizational Effectiveness	186,000
Neighborhood Code Compliance	1,130,000
Police	1,400,000
Fire and Rescue	4,845,000
Office of Homeland Security	75,000
General Services	399,000
Engineering and Capital Projects	1,220,000
<b>Total</b>	<b>\$ 12,081,000</b>

FISCAL

CONSIDERATIONS:



General Fund appropriations will be increased by approximately \$11.1 million within specific departments utilizing revenues received in excess of estimates and fund transfers. Current year appropriations of approximately \$707,000 will be carried forward to Fiscal Year 2006 by transferring savings into various funds. Approximately \$2.6 million in General Fund revenues will be returned to the Water Fund, and approximately \$1.3 million in TOT funds will be transferred to the QUALCOMM Stadium Fund.

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 should be noted that the \$16.4 million in projected excess revenue could be needed for additional unanticipated expenditures by the end of Fiscal Year 2006. It is recommended that the City Council accepts this report and authorizes the City Auditor and Comptroller to complete the financial transactions listed in this report.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None

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Mary Lewis, Financial Management Director  
Originating Department

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Jay M. Goldstone  
Chief Financial Officer

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John Torell,  
City Auditor and Comptroller