



DATE ISSUED: May 10, 2007

REPORT NO: 07-089

ATTENTION: Budget and Finance Committee
Meeting of May 16, 2007

REPORT TO THE CITY COUNCIL

SUBJECT: Charter Section 39 Report: Period Ten of Fiscal Year 2007

REQUESTED ACTION: Accept report.

STAFF RECOMMENDATION: Accept report.

SUMMARY:

The attached schedules provide period to date totals for the expenditures and revenues of the General Fund and other budgeted funds. This report includes actual (unaudited) expenditure and revenue data from July 1, 2006 through April 6, 2007 (Periods 1 through 10). These reports reflect the fiscal status of departments by comparing actual expenditures and revenues to both annual and period budgets. The annual budgets presented include the original FY07 adopted budget, and the current FY07 revised budget, while the period budgets represent operational department staff's estimated apportionment of departmental budgets through the designated accounting period.

The Budget and Finance Committee requested the Auditor & Comptroller's Office to provide additional information on the most significant variances reported. Additional information and analysis in support of these variances for General Fund Expenditures is included. Similar information and analysis will be included in future reports.

FISCAL CONSIDERATIONS: N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION: N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS: N/A

Greg Levin, CPA
Acting Deputy Comptroller

Jay M. Goldstone
Chief Financial Officer

Attachments:

Attachment A:

[Period 10 Charter Section](#)

Schedule 1—General Fund Status of Revenue by Category

Schedule 2—General Fund Status of Revenue by Department

Schedule 3—General Fund Status of Expenditures

Schedule 4—Non-General Fund Status of Revenue

Schedule 5—Non-General Fund Status of Expenditures

Period 10
Charter Section 39 Report on Budgeted Revenues and Expenditures

Department of Finance
Auditor & Comptroller's Office
5/16/2007

Purpose and Scope

This report is designed to achieve the monthly reporting objective set forth by the City's electorate in Charter Sections 39 and 89 which requires the Auditor & Comptroller to provide schedules of City's revenues and expenditures detailed as to appropriations. This report also provides additional narrative analysis on selected topics. However, we note that the analysis of budgetary variances and the review of the achievement departmental objectives within appropriations limits is traditionally the role of the Financial Management division of the Department of Finance. Accordingly, we offer the following analysis of significant variances but recommend that the Budget and Finance Committee also consider the view points of other officials and responsible department managers prior making any conclusions on departmental performance.

This is the first year in which departments were requested to prepare period-to-date budgets. These budgets are estimates of the expected spending and revenue patterns within the year. These estimates were the basis for quantifying departmental performance at the end of each period, as presented in this report. As is the case with many new initiatives, the process requires continuous improvement through the incorporation of lessons learned from actual practice. Accordingly, many of the variances presented relate to shortcomings in the estimates of current year revenue and expenditure cycles. It is anticipated that deficiencies will be addressed in the subsequent year when the period-to-date are evaluated for accuracy at the conclusion of FY 2007.

The attached schedules contain **unaudited** information on actual departmental performance against appropriations. The timeframe reported on is from July 1, 2006 to April 6, 2007. These schedules were prepared using a budgetary basis of accounting (excluding encumbrances) and therefore do not contain the impacts of any revenue or expenditure accruals. The attached statements were not prepared in accordance with Generally Accepted Accounting Principals for external financial reporting and should not be relied upon for making investment decisions. The scope of this report is limited only to budgeted funds within the City's financial reporting entity and therefore does not contain the operating results of numerous special revenue funds, debt service funds, or fiduciary funds; the results of component units; or capital project funds.

Executive Summary

For the period ended April 6, 2007 (Period 10), the City realized total General Fund revenues of \$636.6 million. Through the monthly allocation of budgeted revenue estimates, the City anticipated receiving approximately \$654.9 million through the end of the period. The resulting variance between anticipated and actual revenues for period 10 was \$18.3 million. The variance is primarily attributable to approximately \$32 million less than anticipated revenues from Sales Taxes, Property Transfer Taxes, Fines and Forfeitures, Revenues from Other Agencies, Charges for Services and Services and Transfers. The unfavorable returns in the aforementioned revenues categories were offset primarily by Property Tax returns which exceeded expectations by \$12.1 million.

For the same period, the General Fund incurred expenditures of approximately \$734.6 million. Through the monthly allocation of budgeted expenditures the City anticipated to expend approximately \$787.9 million through the end of the period. The resulting variance between anticipated and actual expenditures for period 10 was \$53.3 million. The favorable variance of \$53.3 million is primarily attributable to less than expected personnel expenditures for the fiscal year.

	Original Adopted Budget	Revised Budget	Year-to-Date Actuals
Total General Fund Revenues	\$ 1,023,333,098	\$ 1,033,557,339	\$ 636,579,563
Total General Fund Expenditures	1,023,333,098	1,039,702,880	734,612,757
Net Impact	\$ -	\$ (6,145,541)	\$ (98,033,194)

The table above shows the performance of the General Fund at the fund level. As of April 6, expenditures exceeded revenues by \$98.0 million. This is largely due to the timing of major revenue streams such as property tax, motor vehicle license fees, and franchise fees. These revenues are anticipated to be received in May, 2007 and are estimated to be \$69.5 million, \$28.3 million, and \$10.7 million respectively.

General Fund expenditure budget revisions exceeded revenue budget revisions by \$6.1 million. The additional appropriations were funded by the unallocated reserve. To date the City Council has appropriated approximately \$10 million from undesignated, unreserved fund balance in the General Fund. The effect of the appropriation of undesignated, unreserved fund balance is to increase total expenditure appropriations by a like amount without an offsetting revenue appropriation. This has the effect of showing the General Fund's revised budget as out of balance for the purposes of monthly reporting. The City Council has also taken action to de-appropriate \$4.1 million in transfers from the General Fund to the Transient Occupancy Tax fund; this action decreased general fund expenditure appropriations by approximately \$4 million while not adjusting the revenue appropriations for the General Fund. The resulting effect of these two actions is to show the General Fund Revised Budget out of balance by approximately \$6 million.

Another mitigating factor in this analysis was the creation of the Salary Reserve during the mid-year budget process. The creation of this reserve also effects the presentation of budgetary balance in these reports. The City Council's action was to simply move \$5.1 million of Personnel Expense Appropriations to a non- operating department (601 - Citywide) rather than to de-appropriate the expenditures. Thus, while appropriations were removed from operating department where they would be expended, they were not removed from total General Fund Expenditure Appropriations. Ostensibly, these appropriations will not be expended and will result in budgetary savings at the end of the year. Thus, one should consider the balance of the Personnel Expense reserve when evaluating budgetary balance. However, it should be noted, if the reserve is used by another department to cover budgetary shortfalls, the end of year savings would not be realized.

Identification of Significant Variances

Business and Support Services:

Office of the Chief Information Officer

The Office of the Chief Information Officer has a favorable expenditure variance of \$3.1 million. The majority of this variance appears to be attributable to a cash transfer to the A-list Fund which has not occurred (\$1.0 million), lower than anticipated expenditures in hardware (\$1.3 million), and lower than anticipated expenditures in Supplies and Services (\$0.8 million).

	Original Adopted Budget	Revised Budget	Period-to- Date Budget	Period-to- Date Expenditures	(Over)/Under Period-to-Date Budget	Variance
Business and Support Services						
Office of the Chief Information Officer						
Personnel Services	-	-	-	-	-	-
Non-Personnel Expenditures						
Fringe Benefits	-	-	-	-	-	-
Supplies/Serv/Other NP	2,321,077	2,321,077	2,022,826	1,198,271	824,555	41%
Data Processing	10,138,062	10,138,062	8,758,674	6,503,888	2,254,786	26%
Energy Resources/Utility	18,253	18,253	14,041	66,509	(52,468)	-374%
Outlay	117,000	117,000	90,000	527	89,473	99%
Total NPE	12,594,392	12,594,392	10,885,541	7,769,196	3,116,345	29%
Departmental Total	12,594,392	12,594,392	10,885,541	7,769,196	3,116,345	29%

Public Safety and Homeland Security:

San Diego Fire - Rescue

San Diego Fire - Rescue has an unfavorable expenditure variance of \$3.8 million. Deficits in Personnel Services (\$2.1 million) and related Fringe (\$2.5 million) are partially offset by budgetary savings in other non-personnel categories.

	Original Adopted Budget	Revised Budget	Period-to-Date Budget	Period-to- Date Expenditures	(Over)/Under Period-to-Date Budget	Variance
Public Safety and Homeland Security						
San Diego Fire-Rescue						
Personnel Services	99,887,907	101,167,590	74,336,730	76,484,177	(2,147,447)	-
Non-Personnel Expenditures						
Fringe Benefits	50,924,965	51,570,721	39,281,998	41,753,425	(2,471,427)	-
Supplies/Serv/Other NP	10,025,492	9,934,717	8,534,449	7,036,004	1,498,445	18%
Data Processing	1,138,892	1,167,864	943,234	654,089	289,145	31%
Energy Resources/Utility	3,074,457	3,074,457	2,205,195	2,442,741	(237,546)	-11%
Outlay	4,457,947	6,051,512	3,510,077	4,207,965	(697,888)	-
Total NPE	69,621,753	71,799,271	54,474,953	56,094,224	(1,619,271)	-3%
Departmental Total	169,509,660	172,966,861	128,811,683	132,578,401	(3,766,718)	-3%

*** The data presented above includes the Mid-year budget adjustment which added an additional appropriation of \$3.5 million to the San Diego Fire – Rescue Department’s budget.

Public Works:

General Services

The combined departments within General Services have a favorable expenditure variance of \$21.1 million. This variance can be attributed to large, unexecuted contracts in the Streets Division (\$11.0 million) and the Stormwater Division (\$7.1 million). Variances for Personnel Services (\$2.0 million) and related Fringe (\$0.8 million) also contribute to the total.

	Original Adopted Budget	Revised Budget	Period-to- Date Budget	Period-to- Date Expenditures	(Over)/Under Period-to-Date Budget	Variance
Public Works						
General Services						
General Services						
Personnel Services	193,335	193,335	254,036	189,891	64,145	25%
Non-Personnel Expenditures						
Fringe Benefits	85,547	85,547	115,200	87,930	27,270	24%
Supplies/Serv/Other NP	8,338	8,237	6,337	6,145	192	3%
Data Processing	2,448	2,448	1,883	152	1,731	92%
Energy Resources/Utility	6,317	6,317	4,859	3,011	1,848	38%
Outlay	-	-	-	-	-	-
Total NPE	102,650	102,549	128,279	97,238	31,041	24%
Departmental Total	295,985	295,884	382,315	287,129	95,186	25%
Facilities Maintenance						
Personnel Services	6,453,936	6,575,886	5,024,184	4,738,933	285,251	6%
Non-Personnel Expenditures						
Fringe Benefits	3,591,884	3,651,254	2,788,311	2,744,610	43,700	2%
Supplies/Serv/Other NP	4,037,343	4,275,609	3,203,811	3,498,399	(294,588)	-9%
Data Processing	145,692	145,692	112,071	111,398	673	1%
Energy Resources/Utility	913,230	913,230	702,485	688,271	14,214	2%
Outlay	1,705	1,705	1,312	70,138	(68,826)	-5248%
Total NPE	8,689,854	8,987,490	6,807,990	7,112,816	(304,826)	-4%
Departmental Total	15,143,790	15,563,376	11,832,174	11,851,749	(19,575)	-
Stormwater						
Personnel Services	1,518,861	1,518,861	1,208,624	948,434	260,190	22%
Non-Personnel Expenditures						
Fringe Benefits	714,684	714,684	576,636	506,692	69,944	12%
Supplies/Serv/Other NP	11,255,266	10,871,214	9,770,861	577,511	9,193,350	94%
Data Processing	45,205	45,205	22,603	58,569	(35,966)	-159%
Energy Resources/Utility	27,592	27,592	15,988	20,369	(4,381)	-27%
Outlay	-	382,937	293,515	2,234	291,281	99%
Total NPE	12,042,747	12,041,632	10,679,603	1,165,375	9,514,228	89%
Departmental Total	13,561,608	13,560,493	11,888,227	2,113,809	9,774,418	82%
Streets						
Personnel Services	15,308,797	15,308,797	11,547,758	9,944,771	1,602,987	14%
Non-Personnel Expenditures						
Fringe Benefits	8,536,258	8,536,258	6,457,745	5,711,502	746,243	12%
Supplies/Serv/Other NP	20,541,356	20,528,176	20,418,815	11,996,299	8,422,516	41%
Data Processing	726,283	726,283	558,679	558,918	(239)	0%
Energy Resources/Utility	4,880,178	4,880,178	3,753,983	3,355,519	398,464	11%
Outlay	688,214	688,214	529,395	201,919	327,476	62%
Total NPE	35,372,289	35,359,109	31,718,617	21,824,157	9,894,460	31%
Departmental Total	50,681,086	50,667,906	43,266,375	31,768,928	11,497,447	27%

	Original Adopted Budget	Revised Budget	Period-to-Date Budget	Period-to-Date Expenditures	(Over)/Under Period-to-Date Budget	Variance
Parking Management						
Personnel Services	4,730,806	-	-	159,858	(159,858)	-100%
Non-Personnel Expenditures						
Fringe Benefits	2,646,276	-	-	95,867	(95,867)	-100%
Supplies/Serv/Other NP	1,391,124	(4,117)	-	(11)	11	100%
Data Processing	618,471	-	-	-	-	-
Energy Resources/Utility	46,001	-	-	-	-	-
Outlay	150,395	-	-	-	-	-
Total NPE	4,852,267	(4,117)	-	95,856	(95,856)	-100%
Departmental Total	9,583,073	(4,117)	-	255,714	(255,714)	-100%
Station 38						
Personnel Services	342,149	342,149	263,192	270,622	(7,430)	-3%
Non-Personnel Expenditures						
Fringe Benefits	208,399	208,399	160,307	143,484	16,823	10%
Supplies/Serv/Other NP	3,734	3,434	2,567	5,070	(2,503)	-97%
Data Processing	6,713	6,713	5,164	5,352	(188)	-4%
Energy Resources/Utility	1,846	1,846	1,420	2,741	(1,321)	-93%
Outlay	-	-	-	-	-	-
Total NPE	220,692	220,392	169,458	156,647	12,811	8%
Departmental Total	562,841	562,541	432,650	427,269	5,381	1%
General Services Totals						
Personnel Services	28,547,884	23,939,028	18,297,794	16,252,509	2,045,285	11%
Non-Personnel Expenditures						
Fringe Benefits	15,783,048	13,196,142	10,098,199	9,290,085	808,114	8%
Supplies/Serv/Other NP	37,237,161	35,682,555	33,402,391	16,083,413	17,318,978	52%
Data Processing	1,544,812	926,341	700,400	734,389	(33,989)	-5%
Energy Resources/Utility	5,875,164	5,829,163	4,478,735	4,069,911	408,824	9%
Outlay	840,314	1,072,856	824,222	274,291	549,931	67%
Total NPE	61,280,499	56,707,057	49,503,947	30,452,089	19,051,858	38%
General Services Total	89,828,383	80,646,085	67,801,741	46,704,598	21,097,143	31%

Explanation of Schedules

General Fund Revenue by Category: (Schedule 1)

The General Fund Revenue by Category schedule provides a “big picture overview” of General Fund revenue trends by category. Revenues are categorized in accordance with the funding source and legal restrictions on the use of revenues. For example, while the funding source for the public safety sales tax is the same as the City’s core sale tax allotment we have determined to show the two separately because of the legal restrictions put in place by Proposition 172. This enables the reviewer of the report to understand variances as it relates to categorical revenues restricted to a specific purpose. Accordingly, we have also provided enhanced detail on funding sources like Licenses and Permits which have multiple underlying sources. This is to enable the reader to identify variances which may be caused by more than one operational trend.

General Fund Departmental Revenue Status: (Schedule 2)

The General Fund Revenue by Department schedule details major general fund revenues followed by program specific revenues that are attributable to a specific department. In this schedule major general fund revenues are shown to enable the reviewer to correlate the bottom line of this revenue schedule to the previously discussed General Fund by Revenue Category (Schedule 1). For the purposes of this schedule, program specific revenues are defined as revenues earned by a department as compensation for providing a specific service. Common types of program specific revenues include revenues from permits, fines, service level agreements and other fee for service arrangements.

General Fund Expenditure Status Report: (Schedule 3)

The General Fund Expenditure Status Report details General Fund expenditures by department. This schedule is organized to display departments by business unit so as to enable the Council to better determine the responsible Deputy Chief Operating Officer.

Other Budgeted Funds Revenue and Expenditure Status Reports: (Schedules 4 & 5)

The Other Budgeted Funds Revenue Status Report and Expenditure Status Report details revenues and expenditures recorded by Business Center and fund. The funds reported in this schedule were established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Examples of special regulations, restrictions or limitations include council policies, municipal code and external legislation in addition to determinations made by previous city management. Each fund is a separate accounting entity with a set of self balancing accounts that records the funds asset, liability and equity balances.