



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 1, 2007 REPORT NO: 07-105

ATTENTION: Budget and Finance Committee
Agenda of June 6, 2007

SUBJECT: Fiscal Year 2007 Year-End Budget Adjustments

REFERENCE: Fiscal Year 2007 Mid-Year Reports, 07-031, 07-041, and 07-042

REQUESTED ACTION:

1. Accept the Fiscal Year 2007 Year-End Budget Adjustments Report.
2. Authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.
 - a. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase General Fund appropriations approximately \$4.9 million, as discussed in this report, from the following sources: \$1.7 million from additional Mission Bay lease revenues and \$3.2 million from the General Fund unallocated reserve.
 - b. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to transfer appropriations and related expenditures for administration fees paid to the County of San Diego for the collection and distribution of property tax from the City Auditor and Comptroller's Office to the Citywide Programs Department.
 - c. Authorize the City Auditor and Comptroller to transfer appropriations between General Fund departments as necessary where the net transfer does not result in an increase to either department's current budget.
 - d. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to transfer appropriations for costs avoided in one budget unit by an agreement to incur them in another budget unit.
 - e. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase the Mission Bay Park Improvement Fund and the Regional Park Improvement Fund appropriations in an amount not to exceed \$850,000 each from a transfer from the General Fund.
 - f. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to appropriate \$600,000 in additional Central Stores' revenue and to increase Central Stores Internal Service Fund appropriations by \$600,000.
 - g. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase the appropriations of the Equipment

- Operating Fund by \$1.9 million to be funded by a transfer from the Equipment Replacement Fund.
- h. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase expenditure appropriations for QUALCOMM Stadium Fund by \$150,000 from the following sources: \$112,000 from Stadium event revenue and \$38,000 from the QUALCOMM Stadium Fund balance.
 - i. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase appropriations of contributing funds from appropriate available sources for any additional, unforeseen needs and to make any additional appropriation adjustments and fund transfers that may be necessary to reconcile revenues to expenditures, not to exceed two percent of each department's adopted budget or \$2.0 million, whichever is greater, above and beyond the aforementioned increases.
 - j. Authorize the City Auditor and Comptroller to carryover Council Districts 1 through 8 available budget of approximately \$687,000 to the respective Infrastructure Improvement Fund.
 - k. Amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase appropriations of, and transfer funds related to, the Infrastructure Improvement Fund and to establish capital improvement projects, in an amount not to exceed \$100,000 for purposes identified by the individual Council Districts.
 - l. Authorize the City Auditor and Comptroller to carryover Park and Recreation Department available budget in an amount not to exceed \$1,035,000 to the Allocated Reserve to fund projects identified in this report that will not be completed in the current fiscal year.
 - m. Authorize the City Auditor and Comptroller to add project 21-872.0, Palisades Building ADA Ramp, to the Fiscal Year 2007 Capital Improvements Program (CIP), transfer \$70,000 from fund 100 (Park and Recreation Department) to fund 630221 (General Fund contributions to the CIP), increase the Fiscal Year 2007 CIP budget by \$70,000 in project 21-872.0 and fund 630221, and appropriate and expend the \$70,000 from project 21-872.0.

STAFF RECOMMENDATION:

1. The City Council should accept the Fiscal Year 2007 Year-End Budget Adjustment Report.
2. The City Council should authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.

SUMMARY:

BACKGROUND

The purpose of this report, commonly referred to as the "Fourth Quarter Adjustment," is to report on the fiscal status of City departments requiring budget adjustments and to request the City Council to authorize the City Auditor and Comptroller to balance each department and fund

as necessary. In addition, this report seeks authorization to carryover certain fiscal year 2007 budget appropriations into fiscal year 2008 for specific projects in the Park and Recreation Department that could not be completed during fiscal year 2007.

This report first summarizes the projected year-end revenues and expenditures for the General Fund, projects the status of General Fund reserves and discusses the requested budget adjustments in each affected department. In addition, the report lists the requested carryovers of fiscal year 2007 appropriations. Attached to the report are the schedules that summarize General Fund revenue projections (by revenue category), General Fund expenditure projections (by department), and revenue and expenditure projections for other funds.

Projections for year-end expenditures and revenues were compiled from departmental monitoring submissions and evaluated for reasonableness and as necessary modified by the Department of Finance. Revenue projections developed by the Department of Finance for tracking actual receipts were reconciled with departmental monitoring submissions in order to validate these projections and to explain projections.

GENERAL FUND PROJECTIONS

Revenue

General Fund projected revenues are estimated to be \$1.049 billion at year end. This amount, when compared to the \$1.040 billion revised revenue budget, results in a \$9.0 million favorable variance.

- Property Tax revenue is projected at \$363.6 million which is \$19.5 million over the adopted fiscal year 2007 budget for property tax. Mid-year reporting had projected property tax revenue at \$18.9 million over budget by year-end. Of this amount, \$10.5 million was appropriated as part of the mid-year adjustments.
- General Fund Sales Tax revenue is projected at \$228.0 million (\$6.9 million under budget) as a result of weaker than expected performance of the local retail industry.
- General Fund Transit Occupancy Tax (TOT) is projected at \$78.9 million (\$6.0 million over budget) due to the continued growth in the San Diego visitors market. (The City's total TOT revenue for fiscal year 2007 is projected to be \$150.5 million.)
- Property Transfer Taxes are projected at \$8.4 million (\$6.4 million under budget) primarily due to a slowdown in the number of home sales.
- Parking Citation revenue is projected to be under budget by \$750,000 to \$1.5 million as a result of a reduction in the number of parking citation accounts referred for collection as well as over estimating fiscal year 2007 revenue from this source.
- Mission Bay rents and concessions are projected at \$27.7 million, \$3.3 million over budget, as a result of higher than expected revenue from Mission Bay leases, including Sea World, marinas, and hotels.
- Revenue from Other Agencies shows a projected deficit of \$6.5 million as a result of \$9.3 million in revenue from employee offset being budgeted in this revenue category whereas the actual revenue was realized in the revenue category "Services and Transfers." Accounting for this budgeting error, there is no revenue shortfall in this category.

- A deficit of \$1.9 million is projected for Charges for Current Services primarily due to the reduction in service level agreement and capital improvement project billing by General Fund departments and reduced services provided to the Emergency Medical Services Program by the San Diego Fire-Rescue Department.
- Services and Transfers shows a projected surplus of \$11.9 million as a result of a \$2.1 million transfer from inactive fund balances* and the \$9.3 million in employee offset savings that are budgeted in the “Revenue from Other Agencies” category.

* The discontinuation of inactive fund balances is detailed in the Executive Summary of the Fiscal Year 2008 Proposed Budget.

Fiscal Year 2007 Projected Revenue by Category

Revenue Category	Amount Over/(Under) Revised Budget
Property Tax	\$ 8,870,367
General Fund Sales Taxes	\$ (6,947,898)
General Fund TOT	\$ 5,992,293
Property Transfer Taxes	\$ (6,447,853)
Fines and Forfeitures:	
Parking Citations	\$ (1,500,000)
Rents and Concessions:	
Mission Bay Rents and Concessions	\$ 3,317,359
Revenues from Other Agencies	\$ (6,528,000)
Charges for Current Services	\$ (1,923,800)
Services and Transfers	\$ 11,851,776
Other Revenue Categories	\$ 2,266,562
Estimated Revenue Surplus	\$ 8,950,806

Expenditures

General Fund expenditures are estimated to be \$1.011 billion. There is a favorable variance of \$40.2 million when compared to the \$1.051 billion revised expenditure budget. Personnel savings, primarily due to vacancies, are the primary cause for General Fund expenditure savings. While every business center is projecting budgetary savings, budgetary control is at the department level, and some department appropriation adjustments are necessary. These adjustments are detailed in the Requested Appropriation Adjustments section of this report.

Fiscal Year 2007 Projected Expenditure Savings by Business Center

Business Center	Amount
Business and Support Services	\$ 11,894,686
Community and Legislative Services	\$ 66,398
Department of Finance	\$ 3,343,943
Land Use and Economic Development	\$ 2,870,594
Neighborhood and Customer Services	\$ 4,430,391
Office of Ethics and Integrity	\$ 71,198
Public Safety and Homeland Security	\$ 8,617,954
Public Works	\$ 7,831,751
Non-Mayoral and Independent Departments	\$ 1,099,690
Estimated Expenditure Savings	\$ 40,226,605

Reserves

Fiscal year 2007 estimated revenues are projected to exceed expenditures by \$38.0 million. This projection includes the \$7.2 million contribution to reserves included in the Fiscal Year 2007 Adopted Budget, the \$3.7 million salary reserve appropriated mid-year (O-19604), and the return of \$10.4 million advanced in fiscal year 2006 for State Route 56. The projected surplus, net of these items, is \$16.7 million, compared to the \$12.2 million surplus projected mid-year. However, an approximately \$4 million General Fund liability is anticipated in fiscal year 2008 for terminal leave expenses from employees ending the DROP program and not included in the Fiscal Year 2008 Proposed Budget.

REQUESTED AUTHORITIES AND APPROPRIATION ADJUSTMENTS

The following appropriation adjustments and authorities are requested to bring General Fund departments and other selected funds into balance.

General Fund (items a, b, c and d)

It is requested that a total of \$4.9 million of expenditures be appropriated; \$1.7 million from additional Mission Bay lease revenues and \$3.2 million from the General Fund unallocated reserve. Significant personnel and related expenditure appropriation savings are projected in the General Fund and at year-end should offset these additional appropriations.

San Diego Fire - Rescue

Fringe expenditures, particularly retirement costs, have exceeded estimated amounts and are the primary contributor of projected deficits in this department. An increase not to exceed \$2.3 million is requested to balance the department's budget.

Citywide Program Expenditures

Mission Bay Ordinance: Mission Bay leases are anticipated to exceed budget by \$3.3 million. The Mission Bay Ordinance (O-19118) requires that 50% of all revenues received in excess of \$20 million be allocated to the Mission Bay and Regional Parks Improvement Funds up to a cap

of \$2.5 million. An increase not to exceed \$1.7 million is requested to allocate these funds in accordance with the Ordinance. An increase to appropriate the same amount in revenues is also requested to offset the expenditure appropriation increase.

Actuarial Services: Authorize an additional \$280,000 appropriation in Citywide Program Expenditures for contracted actuarial services. A separate contract amendment will be brought to the City Council for consideration.

Property Tax Administration: Authorize the transfer of \$1.8 million of appropriations and related expenditures for administration fees paid to the County of San Diego for the collection and distribution of property tax. This transfer is from the City Auditor and Comptroller's Office to the Citywide Program Expenditures Department. Restructuring in fiscal year 2007 moved these appropriations from Citywide Program Expenditures to the office of the City Auditor and Comptroller yet these fees are not related to the operations of the Auditor and Comptroller's Office but benefit the entire General Fund. As such, it is appropriate to return this expenditure to the Citywide Programs Department. Budgeted appropriations of \$1.2 million are available in the Citywide Program Expenditures Department to cover this expense as projected in the mid-year budget adjustment. The budget for Property Tax Administration has been returned to Citywide Program Expenditures in the Fiscal Year 2008 Proposed Budget.

As a practical matter, these fees are withheld by the County with each property tax apportionment, and the booking of these expenditures are required to correctly recognize costs. Current projections estimate these fees at \$3.2 million, which exceed current appropriations (\$1.8 million in the City Auditor and Comptroller's Office to be transferred and \$1.2 million available in Citywide Program Expenditures); an additional \$200,000 appropriation is required to balance the budget.

Customer Services

The Customer Services Department incurred additional personnel related expenditures related to the terminal leave of two retired employees while also incurring costs related to their replacements. An increase not to exceed \$165,000 is requested to balance the department's budget.

Land Use and Economic Development and Customer and Neighborhood Services

Deficits are projected in personnel and related fringe accounts for the Assistant Deputy Chief Operating Officer positions that support Land Use and Economic Development and Customer and Neighborhood Services. These positions were not originally budgeted in fiscal year 2007 in these departments. Personnel savings in other departments are expected to offset the anticipated over expenditure. An increase not to exceed \$117,000 for each department is requested to balance the departments' budgets.

Special Projects and Public Works

The Special Projects and Public Works Departments were impacted by restructuring and Business Process Reengineering budget adjustments in the Fiscal Year 2007 Mid-Year. Expenses are slightly higher than anticipated, resulting in projected deficits in salary and fringe accounts.

An increase not to exceed \$11,000 is requested for each department to balance the departments' budgets.

Transfer of Appropriations Among General Fund Departments

Authorize the City Auditor and Comptroller to transfer salary appropriations in one General Fund department for fringe and/or non-personnel appropriations in another General Fund department with no net increase to either department's total budget. This will allow departments to remain balanced, within the Charter requirement that salary appropriations may not be used for any other purpose. For example, non-personnel savings in the Park and Recreation Department may be transferred to the Police Department with an offsetting transfer of Police Department salary savings transferred to the Park and Recreation Department. Both departments' total budgets remain as approved by Council; however, the Police Department would receive non-personnel appropriations to balance its over expenditures.

Authorize the City Auditor and Comptroller to transfer appropriations for services provided by one General Fund department to another General Fund department. General Fund departments do not charge other General Fund departments for work performed; this action will allow the spending authority to be transferred to cover the costs of services provided by another General Fund department. For example, if General Services provides facilities maintenance work for another General Fund department, the expense may be over budget for General Services. However, the originating department may have planned for this work and would have the appropriations available to cover the expenditure.

Mission Bay and Regional Park Improvement Funds (item e)

In accordance with the Mission Bay Ordinance (O-19118), appropriation increases not to exceed \$850,000 are requested in the Mission Bay Park Improvement Fund and Regional Park Improvement Fund for a combined total of \$1.7 million. This is due to the increased Mission Bay lease revenue in fiscal year 2007 and this amount is requested to be transferred from Citywide Program Expenditures.

Central Stores (item f)

Authorize the City Auditor and Comptroller to increase appropriations from Central Stores Internal Service Fund's unanticipated revenue in an amount not to exceed \$600,000. There was a mid-year budget adjustment to fully appropriate projected expenditures and revenues and an additional appropriation of \$600,000 is needed. Central Stores is projecting expenditures of \$26.3 million, which exceed the \$25.7 million revised expenditure budget by \$600,000. These additional expenditures generated additional revenue. Departmental revenue projections indicate revenues of \$26.5 million, which exceed the revised revenue budget of \$25.7 million by approximately \$800,000.

Equipment Division (item g)

Authorize the City Auditor and Comptroller to increase Equipment Operating Fund appropriations by an amount not to exceed \$1.9 million. Funding will come from a transfer from

the Equipment Replacement Fund. Departmental projections indicate expenditures of \$29.7 million, which exceed the \$28.3 million expenditure appropriations by approximately \$1.4 million. Increased fuel and equipment parts costs are the primary contributors to the projected non-personnel expenditure deficit, which is offset by a projected \$500,000 savings in salaries.

QUALCOMM Stadium (item h)

Authorize the City Auditor and Comptroller to recognize \$112,000 in additional revenue and to increase appropriations in the QUALCOMM Stadium Fund an amount not to exceed \$150,000 to fund a projected over expenditure in fringe benefit costs. The balance of \$38,000 will come from the QUALCOMM Stadium Fund balance.

Summary of Fiscal Year 2007 Requested Appropriation Adjustments

Budgetary Unit	Amount
General Fund	
San Diego Fire - Rescue	\$ 2,300,000
Citywide Program Expenditures - Mission Bay Ordinance	\$ 1,700,000
Citywide Program Expenditures - Actuarial Services	\$ 280,000
Citywide Program Expenditures - Property Tax Administration	\$ 2,000,000
City Auditor and Comptroller - Property Tax Administration transfer	\$ (1,800,000)
Customer Services	\$ 165,000
Land Use and Economic Development	\$ 117,000
Customer and Neighborhood Services	\$ 117,000
Special Projects	\$ 11,000
Public Works	\$ 11,000
Total General Fund Expenditures	\$ 4,901,000
Mission Bay Lease Revenue	\$ 1,700,000
Total General Fund Revenue	\$ 1,700,000
Other Funds	
Mission Bay Improvement Fund	\$ 850,000
Regional Park Improvement Fund	\$ 850,000
Central Stores Internal Service Fund	\$ 600,000
Equipment Division Operating Fund	\$ 1,900,000
QUALCOMM Stadium Fund	\$ 150,000

Carryovers of Fiscal Year Appropriations (items j, k, l and m)

Council Infrastructure Improvement Funds

Authorize the carryover of available budget balances for Council Districts 1 through 8 into their respective Infrastructure Improvement Fund. The purpose of this carryover is to finance capital improvements and major maintenance of streetlights, sidewalks, traffic signals, libraries, park and recreation facilities, roadways, or other purposes as identified by individual Council

Districts. In addition, amend the Fiscal Year 2007 Appropriation Ordinance to authorize the City Auditor and Comptroller to increase appropriations of and transfer funds related to the Infrastructure Improvement Fund and to establish capital improvement projects, in an amount not to exceed \$100,000, for purposes identified by the individual Council Districts for their respective funds.

Park and Recreation

Authorize the carryover of \$1,035,000 for the Park and Recreation Department into the allocated reserve for the following purposes and projects:

- \$525,000 for the repaving of various Balboa Park parking lots
- \$250,000 for the relocation of staff and equipment from the World Trade Center building and refurbishment of replacement office space
- \$125,000 for the repair of various parking lots and playground rubber surfaces
- \$110,000 for the installation of an automated irrigation system and landscaping at Mt. Hope Cemetery
- \$25,000 for the relocation of staff and equipment to the Fire Alarm Building and refurbishment of office space

Authorize the transfer of \$70,000 from the Park and Recreation Department into the Capital Improvements Program (CIP) budget, including establishment of new CIP project 21-872.0, Palisades Building ADA Ramp, in order to construct an accessibility ramp at the Palisades Building in Balboa Park.

Summary of Carryover of Fiscal Year 2007 Appropriations

Budgetary Unit	Amount
Council District 1 (estimated)	\$ 58,000
Council District 2 (estimated)	\$ 128,000
Council District 3 (estimated)	\$ 28,000
Council District 4 (estimated)	\$ 69,000
Council District 5 (estimated)	\$ 139,000
Council District 6 (estimated)	\$ 143,000
Council District 7 (estimated)	\$ 106,000
Council District 8 (estimated)	\$ 16,000
Park and Recreation	\$ 1,035,000
Palisades Building ADA Ramp (CIP 21-872.0)	\$ 70,000
Total Requested Carryover	\$ 1,792,000

CONCLUSION

Each year the year-end budget adjustment report is submitted to identify the financial transactions needed to balance funds prior to the conclusion of the fiscal year. Staff recommend that the City Council accept this report and authorize the City Auditor and Comptroller to complete the financial transactions listed in this report.

FISCAL CONSIDERATIONS:

- General Fund expenditure appropriations will increase by approximately \$4.9 million, the revised revenue budget will increase by approximately \$1.7 million and the balance of \$3.2 million will be funded from the General Fund unallocated reserve.
- Mission Bay Improvement Fund and Regional Park Improvement Fund revenue and expenditure appropriations will increase by approximately \$850,000 each.
- Central Stores Internal Service Fund revenue and expenditure appropriations will increase by approximately \$600,000.
- Equipment Operating Fund expenditure appropriations will increase by approximately \$1.9 million to be funded by a transfer from the Equipment Replacement Fund.
- QUALCOMM Stadium expenditure appropriations will increase by approximately \$150,000, the revenue budget will increase by \$112,000 and the balance of \$38,000 will be funded from the QUALCOMM Stadium Fund balance.
- The General Fund will carryover approximately \$687,000 to the Infrastructure Improvement Fund, \$1,035,000 to the allocated reserve for Park and Recreation projects, and \$70,000 to the Capital Improvements Program.

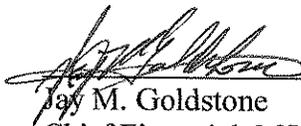
PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.



Mary Lewis
Financial Management Director



Jay M. Goldstone
Chief Financial Officer

- Attachments: I. General Fund Fiscal Year 2007 Projected Revenue Report
II. General Fund Fiscal Year 2007 Projected Expenditure Report
III. Select Non-General Fund Fiscal Year 2007 Projected Revenue and Expenditure Report