

Agenda Report

February 27, 2017

TO: Honorable Mayor and City Council

THROUGH: Finance/Audit Committee

FROM: Department of Finance

**SUBJECT: APPROVAL OF BUDGET ADJUSTMENT TO TRANSFER FUNDS
FROM THE GENERAL FUND TO THE PROJECT MANAGEMENT FUND**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment; and
2. Amend the Fiscal Year (FY) 2017 Adopted Operating Budget as detailed in the Fiscal Impact section of this report.

BACKGROUND:

Annually, as part of the year end process, all of the fund balance categories are reviewed for accuracy and appropriateness. The "Assigned" fund balance category is used to designate funds that will be utilized for a specific purpose, but are not legally obligated for that purpose. Per the City's adopted Fund Balance Policy, authority to designate funds as Assigned has been delegated to the Director of Finance. At the close of FY 2016, the total Assigned fund balance for the General Fund was approximately \$17.2 million. Of this amount, the General Fund has been holding approximately \$1.5 million as reserves for capital projects. This \$1.5 million has been reserved for many years to offset capital improvement projects in the Project Management Fund (Fund 301) that had been completed without sufficient funding. Many of these projects included funding from various grants such as Proposition A Park Funds or the Federal Emergency Management Agency (FEMA) that are accounted for through the General Fund. In total there are ten projects with an outstanding funding amount of \$1,501,349.

The underfunded projects are as follows:

<u>Project #</u>	<u>Project Name</u>	<u>Amount</u>
71147	EOC at City Yards	\$ 12,426
71100	Community Health Service Center	\$674,876
71133	Allendale Library Joint Use Project	\$ 25,690
71136	Public Works Bldg. Seismic Upgrade	\$ 51,449
71138	Seismic Retrofit Glenarm Power Plant	\$ 23,804
71334	Public Works 1 st Floor Remodel	\$284,715
71532	Memorial Park Senior Center	\$105,885
75009	Incident Management System	\$ 36,352
77364	Renovation of Fannie Morrison Bldg.	\$257,919
78039	Gamble House Landscape Improv.	\$ 28,233

Through the approval of this budget amendment, a transfer will be made from the General Fund to the Project Management Fund to close out these projects. Staff has been unable to determine why the necessary transfers were not made in a timelier manner upon project work completion.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through monitoring the FY 2017 Adopted Budget and implementing necessary amendments.

ENVIRONMENTAL ANALYSIS:

This action is exempt from CEQA pursuant to CEQA Guidelines Section 105061(b) (3), the General Rule that CEQA only applies to projects that may have an effect on the environment.

FISCAL IMPACT:

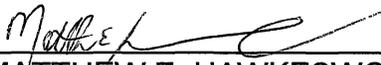
Approval of the proposed budget amendments will increase FY 2017 total General Fund authorized operating appropriations by \$1,501,349 as detailed below. As these funds are currently a component of assigned fund balance, this amendment will not affect the unappropriated fund balance or emergency contingency amounts in the General Fund. But the overall General Fund fund balance will be reduced \$1,501,349, while the Capital Project Fund fund balance will be increased by this action.

Fund	Assigned Fund Balance ¹	Proposed			Assigned Fund Balance
		Expenditure Appropriations	Revenue Recognition	Net Amendments	
101 General Fund	\$17,227,006	\$1,501,349	\$0	(\$1,501,349)	\$15,725,657
301 Project Management Fund		0	1,501,349	1,501,349	
Fiscal Impact Total		\$1,501,349	\$1,501,349	\$0	

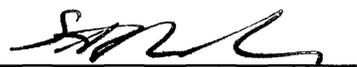
¹ Based on June 30, 2016 Unaudited Comprehensive Annual Financial Report (CAFR)

<u>Account No.</u>	<u>Description</u>	<u>Amount</u>
10120031-870300	Trans to Capital Projects Fund	1,501,349
30120031-680710	Transfers from General Fund	(1,501,349)

Respectfully submitted,


 MATTHEW E. HAWKESWORTH
 Director of Finance

Approved by:


 STEVE MERMELL
 City Manager